

GOVERNMENT OF INDIA  
MINISTRY OF COMMERCE AND INDUSTRY



**REPORT  
OF THE  
SECOND WORKING GROUP  
ON  
INDUSTRIAL CO-OPERATIVES**

MAY 1963

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## CHAPTER I

### INTRODUCTION

The Ministry of Commerce and Industry, in consultation with the Planning Commission and the Ministry of Community Development and Cooperation, appointed a Working Group on Industrial Cooperatives on 5th September, 1962 to review the present position of industrial cooperatives, recommend special programmes and physical targets during the Third Plan and indicate the lines of development of industrial cooperatives in the Fourth Plan, consisting of the Following :—

#### Appointment

Shri B. P. Patel	<i>Chairman</i>
Shri K. V. Venkatachalam	Member
Shri M. P. Bhargava	"
Shri Brahm Prakash	"
Shri D. A. Shah	"
Chief Officer, A.C.D., Reserve Bank of India	"
Shri M. L. Batra	"
Shri Gandharva Sain	"
Shri F. N. Rana	"
Shri S. R. Varma	"
Shri P. Sabanayagam	"
Shri Tarapado Chaudhary	"
Shri L. N. Renu	Member-Secretary

2. Shri V. Sivaraman, the Acting Chief Officer of the Agricultural Credit Department of the Reserve Bank of India, worked as a member of the Working Group till 4th February, 1963 when Shri P. D. Kasbekar joined the Group on his appointment as Chief Officer of the Department. Shri M. A. Chidambaram, Deputy Chief Officer of the Department, acted as an alternate representative of the Reserve Bank of India during the entire period. Shri S. R. Varma resigned on 22nd September, 1962 and Shri B. K. Chatterjee was appointed in his place on 31st October, 1962. Shri Tarapado Chaudhary expired on 9th October, 1962 and Shri Nagendra Kumar Bhattacharyya was appointed in his place on 30th November, 1962.

3. The "terms of reference" of the Working Group are :—

- Terms of reference
- (i) To review the present position of industrial cooperatives;
  - (ii) to recommend specific programmes and physical targets for the organisation of cooperatives during the Third Five Year Plan period and to make recommendations for allocating to cooperatives a certain portion of the funds provided for the entire sector;
  - (iii) to suggest patterns of financial assistance from the Government;
  - (iv) to assess financial requirements of cooperatives at various levels and suggest ways and means of meeting them; and
  - (v) to indicate the lines of development of industrial cooperatives in the Fourth Plan.

4. The time limit fixed for the submission of the report was six months but the term was extended up to 31st May, 1963 by the Ministry of Commerce and Industry. A copy of the Government Memorandum is given at Appendix 'A'.

5. The Group was authorised to undertake tours as and when necessary and to record the evidence of individuals and associations who have expert knowledge of the subject.

6. The first meeting of the Group was held on the 6th September, 1962 in New Delhi. The Group visited Ludhiana,

Meetings and interviews Lucknow, Kanpur, Calcutta, Surat, Bombay, Hyderabad, Kanchipuram and Madras and held meetings with the representatives of the State Governments, the All India Handloom Board, the All India Handicrafts Board, the Central Silk Board, the Coir Board, the Khadi and Village Industries Commission, the State Khadi and Village Industries Boards, the Central Small Industries Organisation, the Small Industries Service Institutes, the National Small Industries Corporation, the Reserve Bank of India, the State Bank of India, the apex industrial cooperative associations, the apex cooperative banks, the industrial cooperative banks and the state financial corporations. We had the privilege of meeting the Central Ministers for Commerce and Industry and Community Development and Cooperation, Secretaries of the two Central Ministries and Ministers of Industries and Cooperation in some States. We met the Secretaries for Industries and Cooperation, Directors of Industries and Registrars of Cooperative Societies of



many States. The Chairman, Member-Secretary and some members of the Group visited Jaipur, Bhopal, Bangalore, Durgapur and Trivandrum and met representatives of the State Governments, cooperative bodies and banking institutions there. A list of meetings held is given in Appendix 'B'.

7. The Group also paid visits to a number of cooperative societies for an on-the-spot study. A list of societies visited is given in Appendix 'C'. Case histories of

Visits to cooperatives a number of societies were received from the State Governments, of which a selected few are given in Appendix 'D'.

8. The views of the State Governments, the Central Government organisations, the federations of industrial cooperatives, the Reserve Bank of India, the State Bank of India, the State Financial Corporations and the cooperative and other banks were also elicited through questionnaires, copies of which are given at Appendix 'E'. We received an encouraging response from all the Central Government organisations, State Governments, the Reserve Bank of India, the State Bank of India and important industrial cooperative federations, apex and central cooperative banks, industrial cooperative banks and State financial corporations. A list of parties from whom replies were received is given at Appendix 'F'.

9. The Reserve Bank of India supplied to us available statistical and other material on industrial cooperative societies which we have used in our report. We have also made use of the data published by the Principal sources of other data National Sample Survey and the Registrar General of India. In addition to the information supplied to us by the State Governments and different organisations during our visits and in response to our questionnaire, we have made use of the additional information that the Ministry of Commerce and Industry and the Planning Commission had collected.

10. Ours is the Second Working Group to be appointed on industrial cooperatives. The First Working Group which was set up by the Ministry of Commerce and

First Working Group Industry in September, 1957, submitted its report in July, 1958. Its recommendations were accepted by Government with certain modifications in November, 1959 and action thereon was initiated soon thereafter. We do not, therefore, consider it necessary to dilate on all aspects of industrial cooperation in our report. Taking it for granted that action on those recommendations will continue to be taken, we are focussing attention on the outstanding problems of the

industrial cooperatives and the possibilities of giving a greater cooperative content to the industrial development programme.

11. The progress made by the industrial cooperatives since the beginning of the First Plan in general and during the Second Plan in particular, the types of societies that have been organised and the assistance they have received from the agencies entrusted with their development is described in Chapter II of our Report. In Chapter III, we have formulated our proposals for the Third Plan based on the present position of the cooperatives in different industries, the existing programmes of the Central and State Governments and the scope for revising them. We have also narrated in this chapter important guide lines for the benefit of the industrial cooperatives. Patterns of government assistance are reviewed in Chapter IV. Chapter V contains an appraisal of the extent to which cooperative and other banking institutions could be induced to finance industrial cooperatives. Indications of the lines of development in the Fourth Plan, along with a comparison of the Third and Fourth Plan estimates with the position reached in the Second Plan, are given in Chapter VI. Our main conclusions and recommendations are recounted in Chapter VII.

12. We are much indebted to the officers of the Central and State Governments, financial institutions, cooperative and other non-official organisations who sent their replies to the questionnaire issued by us and who tendered evidence and advice to us.

We are grateful to the State Governments who made arrangements for our tours and provided us facilities to study the working of the industrial cooperatives. We are thankful to the office bearers and members of the industrial cooperative societies for sparing us their valuable time during our visits and supplying us information on the working of their societies. We are specially grateful to the Central and State Ministers, the Chairman of the Khadi and Village Industries Commission and the Deputy Governor of the Reserve Bank of India for their guidance in our deliberations. We would like to place on record our high sense of appreciation of the devotion and industry with which Sarvashree K. P. Parameshwaran and M. R. Sharma, Deputy Directors and other officers and members of the staff of the Ministry of Commerce and Industry carried out the secretarial and field work of the Group. The rest of us desire to express our warm appreciation of the energy and ability of our member-secretary, Shri L. N. Renu, brought to bear on the Group's work and the valuable contribution that he made with the vast data and intimate knowledge of the subject at his command.

## CHAPTER II

### PRESENT POSITION OF INDUSTRIAL COOPERATIVES

13. The importance of giving a distinctly cooperative bias to cottage and small scale industries was emphasised by the Government of India in its 1948 Industrial Policy Resolution. This was later reflected in the directive principles of the Constitution which laid it down as the responsibility of the State to endeavour to promote cottage industry on cooperative basis in rural areas. The 1956 Industrial Policy Resolution again stressed the Government's intention to develop a steadily increasing proportion of the activities of the private sector along cooperative lines. Increasing importance has been given to the development of village and small industries on cooperative lines in the successive Five Year Plans as a result of which the cooperative content of this sector has been making significant though slow progress.

14. There was a noticeable growth in the weavers' and coir cooperatives towards the end of the First Plan. A rapid growth took place in the Khadi and Village Industries (KVI) Sector during the Second Plan. Action on the recommendations of the first Working Group on Industrial Cooperatives was initiated towards the close of the Second Plan when greater attention began to be paid to cooperatives in handicrafts, small scale industries, (SSI) and other industries. Although industrial cooperatives have been rather late in receiving government attention, the rate of increase in their number as well as that of their membership and working capital over the last two five year periods bears favourable comparison with that of the cooperative movement as a whole (Table I).

15. There were 7,101 industrial cooperative societies at the end of June, 1951 with 7.66 lakh members and Rs. 7.05 crore working capital, which accounted for 3.93 per cent of the total number of cooperative societies, 5.02 per cent of their membership and 3.81 per cent of their working capital. The number of industrial cooperative societies increased to 13,272 (5.53 per cent of the total) with 12.73 lakh members (6.45 per cent) and Rs. 13.74 crores working capital (4.39 per cent) by 30th June, 1956. The position by 30th June, 1961 was 33,256 industrial cooperative societies (10.01 per cent of the total) with

25.57 lakh members (7.35 per cent) and Rs. 49.48 crores working capital (6.29 per cent). In addition there were 10 industrial cooperative banks with an additional working capital of Rs. 4.32 crores.

**TABLE I\***  
*Growth of societies† in First and Second Plans*

	1951	1956	1961
<i>No. of Societies</i>			
All Cooperatives .. .. .	1,80,669	2,39,893	3,32,077
Industrial Cooperatives .. .. .	7,101	13,272	33,256
<i>Membership ('000)</i>			
All Cooperatives .. .. .	1,52,55	1,97,32	3,47,76
Industrial Cooperatives .. .. .	7,66	12,73	25,57
<i>Working Capital (Rs. '000)</i>			
All Cooperatives .. .. .	1,85,06,04	3,12,81,11	7,86,39,35
Industrial Cooperatives .. .. .	7,05,30	13,74,20	49,48,74
<i>Membership per Society</i>			
All Cooperatives .. .. .	84	82	105
Industrial Cooperatives .. .. .	108	96	77
<i>Working Capital per Society (Rs.)</i>			
All Cooperatives .. .. .	10,243	13,040	23,681
Industrial Cooperatives .. .. .	9,932	10,354	14,881
<i>Working Capital per member (Rs.)</i>			
All Cooperatives .. .. .	121	159	226
Industrial Cooperatives .. .. .	92	108	194

\*Data presented in this and subsequent tables in this chapter indicate the position as at the end of the cooperative year (1st July to 30th June).

†Excluding industrial cooperative banks and other central financial agencies.  
Source : Reserve Bank of India.

16. Of the 33,266 industrial cooperative societies at the end of the Second Plan there were 11,947 handloom weavers' cooperatives, 855 khadi cooperatives and 11,346 village industries cooperatives, 1,948 handicrafts cooperatives, 446 coir cooperatives, 81 sericulture cooperatives, 33 salt cooperatives, 21 spinning mills, 10 industrial cooperative banks and 6,579 cooperatives in small scale and other industries. A comparative table showing the number and membership of all industrial cooperatives in

1958, 1959, 1960 and 1961 with details of their assets and liabilities is given in Statement I. Similar tables of weavers' cooperatives, spinning mills, cooperatives in other industries and industrial cooperative banks are given in Statements II, III, IV and V respectively. The position in individual handicrafts and village industries is shown in Statement VI. A list of important small scale industries in which cooperatives have been organised is given in Statement VII.

17. Amongst the industrial societies, there are those that undertake production and others that only provide service to their members. Production societies are

**Types of societies** mainly primary societies while service societies are undertaken both by the primary and the federal societies. They are organised in most cases on a single industry basis and, in special cases, particularly in that of the federal type, on a multi-industry basis.

18. Among the production type, there are workshops set up by workers in special trades which undertake the entire risk of production and own tools of production, raw

**Workshop cooperatives** materials and finished products. The production is carried on in common sheds under the supervision of the society and the worker members are paid wages either on monthly or piece rate basis. Profits are distributed as bonus on the members' earnings. The Factories Act, the minimum wage laws and other labour legislation are applicable to these societies. In the weavers' sector, the term 'industrial cooperatives' has been restrictedly used for such societies only and some people have the idea that in all industries the term 'industrial cooperatives' means this type of society alone, which is not correct. In order to distinguish them from industrial cooperatives of other types, these societies may be called "workshop cooperatives".

19. Workshop cooperatives have been organised in different circumstances by different groups of persons.

(i) Artisans and craftsmen in traditional industries normally prefer to work in their own cottages but the introduction of improved tools and techniques has necessitated their working under a common shed as has been the case in some oil pressers cooperatives.

(ii) Special assistance, conditional upon their forming such a cooperative, has acted as an incentive to some groups, e.g., handloom weavers.

(iii) Displaced persons following traditional crafts are another group that has formed such societies.

(iv) In the machinised industries there are some societies have been formed by factory workers as a result of strike or retrenchment, for example, the abrasive cooperative at Uran in Maharashtra or the engineering workers' cooperative society at Calcutta.

(v) Some societies have been formed by factory workers who belonged to different factories but were anxious to have their own production unit controlled by themselves and, therefore, came together in a cooperative organisation, for example, hosiery co-operatives at Ludhiana.

(vi) There are a few cases where the former entrepreneurs have preferred to convert their concerns into workshop cooperatives of this type. The chalk and pencil manufacturing cooperative at Delhi and the light engineering cooperative at Rajpura are examples of this type. They have management efficiency and adequate funds but their members take a long time to realise their cooperative role which calls for special educational programmes.

(vii) Some societies have been formed by trainees of technical institutions while in some cases government production-cum-training centres have been converted into cooperatives, e.g., bolt and nut cooperative at Sriperempadur or the carpentry and smithy cooperatives in Tripura.

(viii) A few societies have been formed of persons who were entirely untrained, the job of training as well as production thus falling on the society. The match manufacturing and other co-operatives organised by the Central Social Welfare Board are examples of this type. As both the output and quality of products of such societies are low and the cost of production and wastage high, it is an uphill task for such a society to survive. Industrial cooperation presumes the existence of a nucleus of persons in a particular trade who have technical and supervisory experience and would form the hard core of the membership of the cooperative. The absence of men who know their jobs makes a cooperative basically weak. The number of such societies, however, is small.

20. There is another type of production society where members continue to work in their cottages or original workshops and often

Production in members' workshops

own the tools of production but where the societies takes the risk of production and owns the raw materials, materials under processing and finished goods. The raw materials are supplied by the society to the members with designs and specifications of goods to be produced, their production supervised and the finished goods received for sale on its own account. The

members are paid on piece-rate and profit is distributed as bonus on their earnings. These members have the benefit of being assisted by their family members and sometimes by paid helpers. Such societies have been more suitable for handloom weavers, metal workers and other artisans in traditional industries and have worked quite successfully. Some societies combine production in a common workshop by a limited number of members in their cottages. Some of them have also arrangements for certain preparatory or finishing operations in a workshop owned by the society.

21. There are societies which do not undertake risk of production but offer services to their members by supplying raw materials, tools and equipment or helping them to sell their products. Some of them limit their activities to supply work, some to sales work, while others undertake both activities. Some societies provide technical guidance and supervision also. The members of these societies are more independent since they bear the risk of production but the societies have to compete with private merchants to get the members' patronage. This they can do only by offering them better terms than what they get in the open market. There are societies that purchase and stock certain raw materials on their own account and take the risk of fluctuations of prices in addition to the supplies against orders placed by the members. Supplies are made against cash as well as on credit. Sales of finished goods are conducted through retail shops. Advance orders are sometimes obtained through canvassers appointed by the society. Goods are received from members on consignment basis for sale in these shops though some of the goods are also purchased outright. The society normally makes a proportionate advance to the members on consignment account. The financial strength of these societies depends on that of the members and on their keenness to avail themselves of its service. A part of the profits is distributed amongst members as rebate on the basis of the value of their purchases and sales. Some societies of this type have been formed by skilled craftsmen who undertake production and other incidental activities at their own risk. There are other societies which have master craftsmen as their members. There are also societies organised by small industrialists. These societies may be called 'industrial service societies'.

22. Among the service societies are some that limit their activities to the supply of improved equipment on hire, hire-purchase or outright purchase basis. Societies organised by jaggery and khandsari manufacturers fall in this category.

23. Some of the more enterprising societies have started setting up common facility workshops along with supply and sales activities, e.g., the wire-drawing mill set up by Cooperative common facility workshops the 'Jari' goods producers' cooperative society at Surat, bleaching, dyeing and finishing plant set up by the weavers' cooperative society at Surat, the cooperative bicycle assembly plant at Ludhiana. In some societies that undertake initial processing or intermediate jobs, the raw materials are purchased by the societies which sell the processed material to the members. In others, the raw materials belong to the members and the society collects only the processing charges. In the case of finishing plants, the members usually allow the society to sell the finished products. A part of the profits of these societies is distributed to workers in the plant on a wage-bonus basis and another part to members on the basis of service charges paid by them.

24. Common facility cooperatives have also been organised on a federal basis. An example of this type of cooperatives is the cooperative spinning mill whose beneficiaries are weavers' cooperatives only. Twenty-one cooperative spinning mills had been registered by the end of Second Plan. In addition to weavers' cooperatives they had individual members also on their role including operators in the mill, cotton growers and those weavers and sympathisers who joined in order to augment the share capital. Detailed information on these societies is given in Statement III. Another example is the non-ferrous metal rolling plant set up at Tiruchirappalli in Madras and at Ratlam in Madhya Pradesh.

25. An experiment has been tried in Mysore of setting up rural industrial cooperative societies which provide credit to their members. Some societies add to it the supply of controlled and other raw materials. In initial stages their area of operation was limited to a group of villages (Hobli) and they advanced loans not only to industrial units but also to agriculturists for land improvements, purchase of farm equipment, piggeries, dairies, poultry farms and similar other occupations. They were affiliated to the Mysore Central Cooperative Rural Industrial Financing Bank Limited. When that bank stopped advances for purposes other than industrial on the advice of the Reserve Bank of India, the societies also curtailed their activities, with the result that their clientele and business decreased. They then amalgamated themselves to form bigger societies with the area of operation extending to a whole taluk. In the industrial field, the scheme benefited

(a) Rural



the members in extending their business as well as in setting up new industries such as, automobile repairs shops, service stations, general engineering works, metal workshops, agricultural implements' manufacture, welding workshops, radio repairs, battery charging shops, tyre retreading works, starch manufacture, bricks and tiles making and so on.

26. In the Saurashtra region of Gujarat State 24 urban cooperative banks have been organised for financing small artisans. The then Government of Saurashtra participated in the shares to the extent of Rs. 2.62 lakhs and also advanced loans totalling Rs. 30.22 lakhs for strengthening their lending capacity. Their management cost was subsidised, subject to certain ceilings during the first two years. A few urban cooperative banks were also set up in Mysore State for financing small industrialists.

27. Another development in industrial credit has been the formation of industrial cooperative banks in some States. Three such banks in Gujarat, one in Maharashtra and three in the ex-Bombay districts of Mysore State operate on a district or regional basis. Their membership and activities extend to both industrial cooperative societies and individual members. Two such banks have been set up in Uttar Pradesh and Madras with the area of operation extending to the whole state. There are 2 other industrial cooperative banks, one each in Mysore and Rajasthan which have a federal character, their membership being limited to cooperatives only. The industrial banks had a membership of 1,872 societies and 5,163 individuals on 30th June, 1961 with a working capital of Rs. 4.32 crores. Advances during 1961 were of Rs. 3.47 crores and outstandings at the end of that period Rs. 1.87 crores with societies and Rs. 39.36 lakhs with individual members. The deposits with these banks were Rs. 1.05 crores from societies and Rs. 37.7 lakhs from individuals in 1961 as against Rs. 55 lakhs and Rs. 21 lakhs in 1958 respectively.

28. A recent development is the establishment of cooperative industrial estates by groups of small industrial units. These societies purchase and develop the land or take it on lease, lay out roads and provide water, power, drainage and other facilities. Some of them intend to undertake supply of raw materials, set up common facility workshops and provide transport services. The estates are normally situated near rail-heads and are connected with neighbouring towns by means of roads. Nearness to the market and supply centres is also kept in view. There are some estates like the one at Udhana in Gujarat where the society allots

the developed plots to the members who undertake construction of workshops themselves and raise their own funds for this purpose. The plans for the workshops are, however, approved by the society which may also assist the members in getting such materials as cement, steel, etc. Certain societies like the one at Kurla in Maharashtra undertake the construction of the sheds, keeping the requirements of the member in view and sell the completed sheds or offer them to the members on a hire-purchase basis. Some societies own the sheds and allot them to the members on rent.

29. Federal societies have been set up for supply and sales purposes on a single industry as well as multi-industry basis at taluka, district and State levels. There are

**Federations of industrial cooperatives**

two such societies which operate on an All India level, one in the weavers' sector and the other in the palm gur sector. The All India Handloom Fabrics Marketing Cooperative Society Limited was set up in 1955, with its office at Bombay to promote domestic and export markets for handloom cloth. Its paid-up capital was Rs. 7.66 lakhs on 30th June, 1962. It borrowed Rs. 51.73 lakhs from the Government of India from time to time, of which Rs. 37.79 lakhs were outstanding in 1962. The society has started four handloom houses, at Bombay, Calcutta, Madras and New Delhi. It has also taken over the sales depots in Ceylon, Aden, Kuala Lumpur and Singapore from the Madras State Handloom Weavers' Cooperative Society Limited and has appointed four commercial travellers at Hongkong, Beirut, Nairobi and Lagos. It sold handloom cloth worth Rs. 1.83 crores in 1961-62 of which cloth worth Rs. 0.28 crore was exported. The society also supplies raw materials like dyes, chemicals, raw silk and cotton yarn to its members. The value of its supplies during 1961-62 was Rs. 0.24 crore. Though the society has been making

(a) **All-India**

net profits for the last two years, it had an accumulated loss of Rs. 1.34 lakhs on 1st July, 1962. The all-India federation of palm gur cooperatives is a comparatively weak organisation with 19 members and a paid-up capital of Rs. 0.14 lakh only.

30. There were 22 apex federations of weavers' societies on 30th June, 1961 with 5,821 affiliated societies and 4,323 individual members, working capital of Rs. 6.45

(b) **Apex federation**

crores, paid-up capital of Rs. 94.01 lakhs and annual sales of Rs. 11.37 crores. Some of them had a few looms working directly under their control, the number of such looms being 6,263 on 30th June, 1961. 17 of these federations showed profits in 1960-61. 11 apex federations have also been organised by palm gur cooperatives. They

had a membership of 1,660 by the end of March, 1962 and a paid-up capital of Rs. 1.23 lakhs. The position of these federations was fairly satisfactory. Apex federations have also been organised by oilmen's cooperatives and leather workers' cooperatives in a few States. In some States apex federations have been organised by cooperative societies in a number of allied industries, *e.g.*, federations of handicrafts societies in Jammu and Kashmir and Madras, federations of SSI cooperatives in Andhra Pradesh, Rajasthan and Madras. Multi-industry federations whose operations extend to all industrial cooperatives (except those that are covered by the single industry federations) have been organised in a number of States, the oldest amongst them being the State Industrial Cooperative Association in Bombay.

31. There were 122 central federations of weavers' cooperatives, with a membership of 4,070 industrial cooperatives and 4,131 individual members. Their working capital

(c) Central federation on 30th June, 1961 was Rs. 146.71 lakhs and sales Rs. 183.20 lakhs. Some of them

also had 5,323 working looms attached to them. Their working capital as well as sales operations were thus of a lower magnitude than that of the apex federations. Though their number increased from 71 in 1958 to 122 in 1961, their sales declined from Rs. 2.34 crores in 1957-58 to Rs. 1.83 crores in 1960-61. The increase in their number does not thus appear to have resulted in the growth of business in this group. Amongst the other societies, there are six central federations of palm gur societies with a membership of 2,009 and paid-up capital of Rs. 2.42 lakhs. These federations are playing an important role in marketing the surplus products of their member societies. There are three central coir marketing federations in Kerala and one in Mysore, of which, those in Kerala have been marketing the goods of their societies abroad as well. Their exports in 1955-56 were worth Rs. 1.90 lakhs. In 1960-61 this increased to Rs. 28.13 lakhs which includes exports made by two new mats and matting co-operative societies. There are central federations of cooperative societies in certain other industries also, *e.g.*, oil-men's cooperatives, leather workers cooperatives. In some states multi-industry federations have been organised at a central level. This pattern has particularly developed in the States of Gujarat and Maharashtra.

32. In some States forest labourers societies, labour contract societies, building construction societies and transport societies etc. are also included amongst industrial co-operatives. These form separate groups because the societies which come under the industrial cooperative group are those where the members are

Some allied type of co-operatives

engaged in the manufacture, preservation or processing of goods or in repair work either on account of the society or their own. For developmental as well as statistical purposes, therefore, the following types of societies are classified as separate groups even though some of them may be having small sections for industrial type of work : (a) forest labourers societies, (b) labour contract and building construction societies, and (c) transport societies.

33. In the case of societies processing agricultural produce such as oilseeds, paddy etc., there are two groups. One includes societies set up in the agricultural sector by growers for processing of their produce and the other in the industrial sector by workers engaged by tradition in similar processing jobs. While in the former, the members are generally interested in the processing of their agricultural products and for this purpose try to use highly improved techniques of production, the latter usually carry on their work by traditional methods with such improvements as do not lead to any large scale unemployment and for this purpose purchase raw materials from the cheapest sources available.

34. There is a move in certain categories of societies to allow membership to producers and suppliers of raw materials and/or consumers of finished goods. In societies of oil-men, spinners, paddy huskers and other village industries, the Khadi and Village Industries Commission is trying a special experiment under which the village service or multi-purpose society joins the artisans' society as a member, has substantial representation on the latter's managing and control committees and has right of inspection. The village society in collaboration with the artisans society prepares a plan which is carried out by the latter so far as it concerns the industry or industries covered by it. It produces such goods as would meet the requirements of the village population and makes them available at reasonable prices, preferably on the basis of cost, plus a mutually agreed margin of profit. The village society on its part is expected to persuade its members to buy the goods produced by the artisans' society. In this case the former is called the principal society for the sake of convenience and the latter, an auxiliary society.

35. Another experiment that the Khadi and Village Industries Commission is trying is, in cases where the number of artisans in one or allied industries in a village is small, for the formation of a separate economically viable society. The artisans' society in such cases is formed by artisans in the same industry or allied industries working in neighbouring villages. As there are more

than one village service or multi-purpose societies in the area of operation of such a society they join the artisans' society as co-partners and guide it in the production of suitable goods. This type of society is called a 'co-partnership society' by the Khadi and Village Industries Commission.

36. The bulk of the membership of the production societies is of artisans and workers belonging to a particular trade with a few sympathiser members who do not

**Membership**

belong to the trade and whose percentage varies from society to society. Some societies have to employ non-member workers for special jobs or when certain big jobs have to be executed, on an *ad hoc* basis. In the case of service societies the membership includes craftsmen working with the help of their families and sometimes one or more paid helpers, master-craftsmen working with skilled labourers and small industrialists employing skilled workers. In the case of societies that have common facility workshops the bulk of the members belong to one particular trade while the workers in the society's workshop belong to a different trade group. There are some societies that allow membership to the latter, but there are others which hesitate to do so fearing conflict of interests and approach.

37. Though the membership of industrial cooperatives increased by 234.7 per cent (from 7.66 lakhs in 1951 to 25.64 lakhs in 1961 the average membership per society

**Membership per society**

decreased from 108 in 1951 to 77 in 1961. The average membership of all cooperatives as a whole, on the other hand, increased from 85 in 1951 to 106 in 1961. One of the causes for the decline in average membership of the former was the organisation of a larger number of cooperatives in industries in which the membership of the societies had to be limited due to the very nature of the industry. This is all the more true of societies that undertake production. Moreover, there has been a trend to limit the number of sympathiser members in industrial cooperatives. Another factor that has contributed to this reduction, is the inability of the societies to provide work or services to all their craftsmen and worker members on account of which many of them leave the society and which discourages many other prospective members from joining.

38. The working capital of all industrial cooperatives was Rs. 53.81 crores in 1961. Separating the figures for industrial cooperative banks it was Rs. 49.49 crores

**Working capital**

which was a sevenfold increase over the working capital in 1951. The working capital per society was Rs. 9,932 in 1951, Rs. 10,354 in 1956

and Rs. 14,881 in 1961 while the corresponding position of working capital per society in cooperatives as a whole was Rs. 10,243 in 1951, Rs. 13,040 in 1956 and Rs. 23,681 in 1961. The working capital of the industrial cooperatives works out to Rs. 92 per member in 1951, Rs. 108 in 1956 and Rs. 194 in 1961. The corresponding position in all cooperatives was Rs. 159 in 1956 and Rs. 226 in 1961. The position might look slightly better if the dormant societies and non-participating members are excluded. That working capital of the industrial societies is low is not unexpected since the industrial societies have been catering largely to the economically and socially backward classes of the community and institutional finance is lacking in most cases.

39. The owned funds of the industrial cooperatives were Rs. 13.43 crores in 1958 and Rs. 21.35 crores in 1961. Their borrowings were Rs. 21 crores in 1958 and Rs. 32.46 crores in 1961 giving an owned fund : borrowing ratio of 1 : 1.56 in 1958 and 1:1.52 in 1961. The owned fund per member increased from Rs. 77 in 1958 to Rs. 84 in 1961 and borrowings from Rs. 115 per member to Rs. 122 during the same period. The owned funds per society, however, decreased from Rs. 6,687 in 1958 to Rs. 6,417 in 1961. The borrowings per society similarly declined from Rs. 10,074 in 1958 to Rs. 9,329 in 1961.

40. The paid-up capital of the industrial societies increased from Rs. 7.95 crores in 1958 to Rs. 13.96 crores in 1961. Of this an amount of Rs. 2.79 crores was by way of participation by government in the shares of selected societies. An important part is played by government by participating in the share capital of cooperative spinning mills wherein it has invested Rs. 1.50 crores. Government has also participated in the shares of the apex federations and industrial banks to some extent and of the central federations to a smaller extent. There are cases of government participation in the share capital of selected primary cooperative societies also. The contribution by members which was Rs. 11.17 crores included share capital loans advanced by government and the Khadi and Village Industries Commission to enable members to purchase shares. The paid-up capital per society was Rs. 3,955 in 1958 and Rs. 4,197 in 1961, and that per member Rs. 45 in 1958 and Rs. 55 in 1961. It is noteworthy that the cooperative societies in other industries which had a lower ratio of per member paid-up capital had by 1961 caught up with the weavers cooperatives.

41. The reserve and other funds of these societies increased from Rs. 5.49 crores in 1958 to Rs. 7.39 crores in 1961. The position of these funds per society declined from Rs. 2,732 in 1958 to Rs. 2,220 by 1961 and funds per member from Rs. 31 in 1958 to Rs. 29 in 1961, apparently, because of the rapid increase in the number of societies and their members.

42. The borrowings of industrial cooperative societies from central financing agencies rose from Rs. 5.81 crores in 1958 to Rs. 9.76 crores in 1961. They formed 27.69 per cent of the total borrowings in 1958 and 30.08 per cent in 1961. The advances of the central financing agencies to these cooperatives thus form only a small percentage of the latter's working capital. Special facilities were provided by the Reserve Bank of India to the central financing agencies for financing handloom cooperatives under Section 17(2)(bb) of the Reserve Bank of India Act. Out of the 21 apex banks, only 13 took advantage of these facilities in 1961-62 and 11 in 1962-63 on behalf of the central financing agencies in their jurisdiction. Government continued to give working capital loans to weavers' societies in some of the areas served by the other apex banks. As far as central cooperative banks are concerned, while 117 out of 372 availed of these facilities in 1962-63, others did not, due to a variety of reasons, e.g., administrative delays at various levels, heavy overdues of their member societies and their own weakness in certain cases. The funds sanctioned by the Reserve Bank of India steadily increased from Rs. 1.8 crores in 1957-58 to Rs. 5.18 crores in 1962-63. The total amount sanctioned has, however, not been drawn in any year though the extent of drawals has increased from Rs. 0.49 crore in 1957-58 to Rs. 4.52 crores in 1962-63. Details of the operations of this scheme are given in statement VIII. Apex handloom cooperative societies can also avail of the facilities provided by the Reserve Bank of India under the Section. Only 3 of them, however, got accommodation in 1960-61, and 4 in 1961-62 and 1962-63, viz., in Madras, Andhra Pradesh, Maharashtra and Madhya Pradesh. The apex weavers' society in Punjab was allowed accommodation by the Reserve Bank of India in 1958-59 and 1959-60 but could not be sanctioned further limits because audited reports of the society have not been available since 1958-59. The society in Rajasthan was sanctioned a credit limit by the Apex Bank in 1961-62 which could not be renewed because of the unsatisfactory financial position of the society. The financial position of the Kerala society is also very weak and steps have to be taken to revitalise it. The Bihar society approached the Reserve Bank of India in 1958-59 with incomplete information which has not been furnished since then.

The Uttar Pradesh society did not apply for any accommodation, possibly because its accounts have not been audited for more than 3 years. The Assam and West Bengal societies have to be reorganised. The Mysore society borrowed in 1958-59 but did not apply in subsequent years. There are no apex societies in Gujarat and Jammu and Kashmir. One point is, however, noteworthy. The advances of the central financing agencies have been 3 times the amount drawn by them from the Reserve Bank of India under the scheme. The support of the Reserve Bank has encouraged them to utilize their own resources for financing weavers cooperatives to a very large extent.

43. The government has played a key role in the financing of industrial cooperatives. In the initial stages the main source of finance even to the weavers societies was the government. In the case of KVI cooperatives even now almost the entire funds are being provided by government through the Khadi and Village Industries Commission. These are, however, included under the heading "borrowings from the other parties" in the Reserve Bank of India "statements". The borrowings of the societies from government rose from Rs. 9.78 crores in 1958 to Rs. 14.60 crores in 1961 and accounted for 46.58 per cent of the total borrowings of the societies in 1958 and 44.99 per cent in 1961.

44. As mentioned above, government loans advanced through Khadi and Village Industries Commission have been included by the Reserve Bank of India under the head 'borrowings from other sources' in their statement. The correct picture of the borrowings from other parties is, therefore, not known. The borrowings under this head, however, increased from Rs. 5.40 crores in 1958 to Rs. 8.09 crores in 1961 and accounted for 25.74 per cent of the total borrowings of the societies in 1958 and 24.93 per cent in 1961.

45. The State Bank of India and its subsidiaries have offered to finance industrial cooperative societies but the number of societies that have borrowed from this source, so far, is small, being 8 with a sanctioned limit of Rs. 1.6 lakhs at the end of the Second Plan and 13 with that of Rs. 9.58 lakhs on 31st December, 1962.

46. A few societies have also been accommodated by the state financial corporations which provide loans for purchase of equipment and construction of workshops. 3 societies have been sanctioned limit of Rs. 4.25 lakhs on 30th June, 1958 and had drawn Rs. 0.40 lakh on that date. Advances from this source at the



end of the Second Plan were Rs. 5.93 lakhs against the sanctioned limit of Rs. 9.4 lakhs to 6 societies. By 30th September, 1962, 10 societies had been sanctioned limits of Rs. 14.2 lakhs and had drawn Rs. 5.8 lakhs.

47. Industrial cooperative societies requiring amounts above Rs. 10 lakhs for financing their long term operations can avail of the facilities offered by the Industrial Finance Corporation of India. Four cooperative spinning mills have been sanctioned a sum of Rs. 119.70 lakhs by this corporation.

48. Another source from which a few societies have received financial assistance is the National Small Industries Corporation which supplies machines on a hire-purchase basis. This Corporation had accepted, up to the end of 1962 the applications of 87 societies for supply of 527 machines valued at Rs. 29.36 lakhs of which 191 machines, valued at Rs. 11.24 lakhs were supplied up to the end of March, 1963.

49. The investment of the industrial cooperatives in stocks of raw materials and finished goods was Rs. 16.24 crores as on 30th June, 1961 against Rs. 10.95 crores in 1958. 35.39 per cent of the working capital in 1958 and 32.81 per cent in 1961 was thus invested in stocks. The investment in raw materials was about half of that in the finished goods.

50. Some societies have been dealing in controlled or imported raw materials such as iron and steel, coal and coke, non-ferrous metal, artificial silk, ivory, etc. but the quotas for such commodities are usually limited. The weavers' societies handle cotton yarn, produced by the cooperative and other spinning mills, wool and silk weavers' cooperatives handle silk and woollen yarn which is often in short supply. Some KVI cooperatives purchase cotton, wool, oilseeds, paddy, timber etc. at cheaper rates in season and stock them for the benefit of their members. The State Khadi and Village Industries Boards and the depots run by the Khadi and Village Industries Commission also do this work.

51. The sales of raw materials and finished goods by the societies were Rs. 69.86 crores in 1960-61 against Rs. 56.46 crores in 1957-58. A fairly well organised federal structure has been set up by the weavers' societies for domestic marketing. Contacts with other countries have also been built up by them and the coir cooperatives. The khadi cooperatives and those in some of the

village industries depend on the khadi bhandars and the khadi bhavans to a certain extent. Some federations have also been organised by the oil and palm gur industries. The handicrafts societies sell part of their goods through the multi-industry federations, government emporia and the KVI depots. Special federations have also been organised at a few centres for selling handicrafts products. No similar development has yet taken place in the small scale and other industries though facilities of the National Small Industries Corporation and the state small industries corporations are available to them on 'par' with other small industrial units. Some of the societies are registered with the Directorate General of Supplies and Disposals in the Government of India for supply of government stores. It allows them the same price preference that is allowed to other small industrial units. Some State Governments, however, allow special price and other preferences to goods of industrial cooperatives. The number of sales depots of the primary and federal cooperatives was 3,799 in 1961 against 2,989 in 1958.

52. Inability to sell the bulk of the goods produced by the societies and their members has, however, remained a weak spot of the industrial cooperatives with the result that many members of the production societies have to continue to work elsewhere without getting any benefit from the society and many of those who get part time work from the society have to undertake additional work on their own account and sell their products themselves. Many members of the service societies also have similarly to depend on finding a market for their products themselves. Special efforts are made through occasional exhibitions which help the societies to clear their stocks and generally to popularise their products. A system of government grants for allowing special rebates on the sale of handloom cloth, khadi and certain village industries goods has also been introduced. Government grants on account of such rebates to handloom cooperatives were Rs. 1.90 crores and to other cooperatives Rs. 0.08 crore in 1960-61 against Rs. 2.83 crores and Rs. 0.07 crore respectively in 1957-58.

53. The investment of the industrial cooperatives in plant and equipment has gone up from Rs. 2.93 crores in 1958 to Rs. 6.98 crores in 1961. The number of spindles of the cooperative spinning mills rose from 0.35 lakh in 1958 to 1.75 lakhs in 1961, a five fold increase. The number of handlooms belonging to the weavers' and other industrial societies and their members increased from 10.17 lakhs in 1958 to 13.47 lakhs in 1961. In the absence of information on the number of workers engaged

in operating this equipment, it is difficult to get an idea of the extent of investment per worker. The fact that a large number of industrial cooperatives are in traditional industries which are predominantly labour intensive, is responsible for the investment at a low level. The percentage of working capital invested in plant and equipment has, however, steadily risen from 9.5 in 1958 to 14.1 of the working capital in 1961 since societies in mechanised industries are being organised and improved tools and equipment are being gradually introduced in traditional industries.

54. Production of the weavers and other industrial cooperative societies is reported in the Reserve Bank statements to be Rs. 50.42 crores in 1960-61 against Rs. 43.73 crores in 1957-58.

**Production** With the membership that the societies have, it should have been higher though a correct idea could be formed only if separate figures of the number of production cooperatives and their active members were available. In the case of weavers' societies, it is found, that only about 61 per cent of the looms have been working, the number of working looms in 1960-61 being 7.74 lakhs out of the total 12.74 lakhs. Special efforts are necessary to enable the societies to increase their production.

55. In this connection the different all India boards play an important role. The All India Handloom Board has set up special design centres and gives assistance for introduction of improved looms and appliances and establishment of plants for dyeing, printing, bleaching, preparatory and finishing processes. Schemes have also been introduced for the conversion of handlooms into power-looms. The Khadi and Village Industries Commission has set up a research institute at Wardha and other research and training institutes at different centres, introduced improved tools in different industries and evolved recently a policy of using power in certain circumstances. The All India Handicrafts Board has set up design centres, common facility workshops and pilot workshops. The Central Silk Board has detailed schemes for development of sericulture societies. The Coir Board is devoting its attention towards introduction of improvements amongst the coir cooperatives. In the small scale industries sector, the Central Small Industries Organisation, with its small industries service institutes and extension centres, plays an important role in providing technical guidance and management counselling. It has helped them not only in getting suitable machines but also in the proper use of available raw materials. Facilities provided by the **Directors** of Industries, block level extension officers, and training

institutes set up by the Directorate General of Employment and Training and the State Governments are available to cooperatives in the sector. Societies that are covered by the Industries (Development and Regulation) Act, get the guidance and assistance from the Department of Technical Development in the initial preparation and execution of the schemes.

56. The management of these societies is a complicated job and the secretary or manager has to run the office, maintain registers and accounts, look after purchases and

**Cost of management** sales, manage production and handle credit transactions. In some states there is a system of deputation of departmental staff to work as secretaries. Grants are sanctioned in other states to selected societies to meet part of the management cost. The Khadi and Village Industries Commission sanctions management grants under varying patterns for different industries. There is, however, a good percentage of societies that have remained outside the scope of these grants. An amount of Rs. 6.58 crores was spent by the societies on management in 1960-61 as against Rs. 2.65 crores in 1957-58. The cost of management was 7.69 per cent of the total sales in 1960-61 as compared to 4.65 per cent in 1957-58. In several of the societies sufficient emphasis is not yet laid on paid management. While the board of directors of a society lays down the policy, day-to-day management has to be entrusted to its staff. This is particularly true in the mechanised small scale industries sector which has special problems of procuring scarce raw materials, ensuring high technical skill in manufacture, liaison with consumers and efficiency in marketing.

57. The management of the cooperatives generally remains in the hands of the elected managing committees, though in special cases government nominates the managing

**Managing Committee** committees for the initial few years. In case of bad management an elected managing committee is replaced by one nominated by government. In a few cases the Central Government considered it fit to nominate managing committees; this practice has now been discontinued, which is a move in the right direction. Government has a right to nominate some members on the managing committee of a society in which government funds have been invested and the bye-laws of the society provide for it. In the case of societies where the membership includes diverse interests, for example, workers in the workshops of federal cooperatives or supplier or consumer members in certain types of societies, the proportion of representation of the different interests is sometimes fixed in the bye-laws.

58. While assets (after deducting accumulated losses) of the societies rose from Rs. 43.97 crores in 1958 to Rs. 67.49 crores in 1961, their liabilities (after deducting undistributed profits) increased from Rs. 42.92 crores to Rs. 67.07 crores. The net profit of all societies was Rs. 0.89 crore for the year 1961. The number of societies that earned net profits, increased from 8,998 in 1958 to 12,930 in 1961 and their profits from Rs. 2.10 crores in 1958 to Rs. 2.44 crores in 1961. 6,362 societies incurred losses in 1958 and 12,527 in 1961, the amount of losses being Rs. 1.11 crores and Rs. 1.55 crores respectively. The remaining societies had either not started functioning or were dormant. These figures bear testimony to the effort necessary to put the movement on a sound footing.

59. Amongst the measures to be taken to improve the condition of these societies, the most important one is the regular supervision and timely audit of the societies.

**Supervision and audit** The number of industrial cooperatives whose audit remains in arrears is large and is growing at quite a fast rate. While audit of 2,597 societies was in arrears in 1960, the number rose to 5,678 in 1961. Some organisation has been set up for supervising weavers' societies as a result of constant pressure from the Reserve Bank of India on the State Governments to pay greater attention to it. There is a reluctance in the states to increase the supervision and audit staff in proportion to the organisation of new societies which has led to an increasing back-log of work and has an adverse effect on the working of societies since they cannot get finance.

60. The total government expenditure over the development of weavers cooperatives and spinning mills during the Second Plan was Rs. 28.04 crores, consisting of loans and grants. An amount of Rs. 78.94 lakhs was advanced as share capital loans and Rs. 28.04 lakhs was invested in the shares of the apex societies. Of the loans advanced by the government, Rs. 386.66 lakhs were for working capital, Rs. 9.96 lakhs for equipment of weavers and their federation, Rs. 23.45 lakhs for processing and finishing plants, Rs. 20.47 lakhs for model cooperatives, Rs. 129.73 lakhs for housing colonies and Rs. 6 lakhs for miscellaneous schemes. So far as grants are concerned, the government expenditure on sales, rebates and various other grant items for weaver cooperative societies was Rs. 17.55 crores during the Second Plan consisting of Rs. 1.19 crores on publicity, propaganda, award of prizes, inspection and stamping, mobile vans, sales depots, exhibitions, quality marking, etc., Rs. 12.89 crores on rebates, subsidy on interest, transport, etc., Rs. 1.10

crores on introduction of improved looms, accessories and machines and other technical improvements, Rs. 0.56 crore on establishment of carding, bleaching, finishing, calendaring, dyeing, pattern making, raising, milling, winding, warping and other processing plants, Rs. 15.59 lakhs on training and research, Rs. 1.19 lakhs on model cooperatives, Rs. 24.44 lakhs on housing colonies, Rs. 132.65 lakhs on organisational expenses and Rs. 6.63 lakhs on miscellaneous expenses. A total of Rs. 146.56 lakhs was spent on coir cooperatives during the Second Plan inclusive of Rs. 13.15 lakhs by way of grants and Rs. 133.41 lakhs by way of loans. The total expenditure on handicrafts cooperatives during the Second Plan was Rs. 28.2 lakhs.

61. There were 11,947 weavers' cooperative societies including 144 apex and central federations in 1961 against 9,893 societies including 94 federations in 1958.

**Position in the States** The number of individual members of these societies was 13.19 lakhs in 1961 against 11.15 lakhs in 1958 and their working capital was Rs. 27.31 crores in 1961 against Rs. 20.63 crores in 1958. This represented an increase of 32.4 per cent in working capital in three years against 20.8 per cent increase in the number of societies and 18.3 per cent increase in membership. The owned funds of these societies were Rs. 10.53 crores and borrowings Rs. 16.78 crores in 1961. 36.48 per cent of the borrowings were from central financing agencies, 45.71 per cent from government and 17.81 per cent from other sources, against 26.32 per cent, 48.45 per cent and 25.23 per cent respectively in 1958. Their annual sales in 1960-61 were Rs. 50.09 crores

(a) Weaver's societies against Rs. 47.28 crores in 1958, an increase of about 6 per cent. Their expenditure on management was 8.14 per cent of their annual sales. 47.4 per cent of the societies earned profits and 29.8 per cent incurred losses in 1961, the amount of profits being Rs. 1.47 crores and of losses Rs. 0.69 crore. The number of weavers societies in different states with their membership, working capital and annual sales is shown in Table II.

62. As will be seen from table III below, while the owned funds of the weavers' societies in a number of states were more than 1/3rd of their working capital in 1961, the percentage was particularly high in Andhra Pradesh, Gujarat and Madras. Government did not advance any funds to the weavers societies in Jammu & Kashmir. In eight states, government loans to these societies accounted for more than 50 per cent of their total borrowings, the percentage was particularly very high in Assam, Mysore and West Bengal. A high percentage of the total borrowings of the societies had come from central financing agencies in Madras and

TABLE II

*Position of Weavers' societies as on 30th June, 1961.*

(amount in Rs. '000)

Name of State	Number of societies	Number of individual members	Working capital	Annual sales	Balance of undistributed profits and accumulated losses
1	2	3	4	5	6
Andhra Pradesh ..	950	2,61,343	5,61,94	8,33,08	(+) 2,72
Assam .. ..	1,368	30,110	15,96	48,32	(+) 1,43
Bihar .. ..	1,044	1,32,024	1,43,20	2,10,60	(+) 30,39
Gujarat .. ..	270	25,061	74,51	88,56	(—) 33
Jammu & Kashmir	64	2,127	2,12	7,76	(+) 11
Kerala .. ..	416	53,365	1,05,57	2,60,05	(+) 2,87
Madhya Pradesh	373	36,265	73,44	80,84	(—) 1,33
Madras .. ..	1,068	2,19,675	6,34,30	15,19,92	(+) 11,30
Maharashtra ..	715	85,486	2,75,94	5,69,43	(+) 9,98
Mysore .. ..	621	96,989	2,50,25	3,63,29	(—) 27,83
Orissa .. ..	524	52,153	76,25	98,23	(+) 1,18
Punjab .. ..	799	13,348	46,26	82,74	(+) 1,47
Rajasthan ..	951	28,635	68,86	71,54	(—) 1,44
Uttar Pradesh ..	1,406	1,19,102	2,52,12	4,50,96	(+) 33,54
West Bengal ..	1,141	1,51,878	1,26,95	2,81,55	(+) 9,99
Delhi .. ..	79	1,426	8,44	18,60	Nil
Himachal Pradesh	12	429	36	7	(—) 9
Manipur .. ..	78	5,091	4,89	8,72	(+) 7
Pondicherry ..	17	2,316	6,62	9,75	(—) 18
Tripura .. ..	51	2,382	3,13	5,10	(+) 6
ALL INDIA TOTAL	11,947	13,19,205	27,31,11	50,09,11	(+) 73,91

Andhra Pradesh; it was negligible in the case of Assam and West Bengal. In 5 states, more than 50 per cent of the societies earned profits during 1960-61, the percentage was lower than 30 in three states. More than 1/3rd of the societies incurred losses in 7 states and more than 1/3rd of the societies had either not started work or were ~~absent~~ in 5 states.

TABLE III

*Details regarding Weavers Societies as on 30th June, 1961.*

(amount in Rs. '000)

Name of State	Owned funds as % of working capital	Borrowings from Govt. as % of the total borrowings	Borrowings from CFA's as % of the total borrowings	Cost of management as % of sales	Societies showing profit as % of total	No. of Societies	Societies showing loss as % of total	No. of societies	Total amount of profit	Total amount of losses
1	2	3	4	5	6	7	8	9		
Andhra Pradesh	45.2	32.5	54.1	7.7	63.8	32.2	22.04	5.93		
Assam .. ..	26.4	86.0	4.6	3.2	26.8	36.3	1.62	33		
Bihar .. ..	23.2	51.6	10.2	14.5	90.6	9.4	5.35	11		
Gujarat .. ..	45.5	47.8	27.6	8.9	45.6	34.8	1.97	1.15		
Jammu & Kashmir	25.0	—	35.8	3.2	18.8	3.1	5	1		
Kerala .. ..	36.6	48.5	35.7	19.3	40.6	52.9	6.34	5.34		
Madhya Pradesh	31.4	63.1	13.6	7.8	39.7	20.1	1.44	1.10		
Madras .. ..	48.2	10.5	75.6	5.6	49.4	42.3	36.61	25.31		
Maharashtra ..	39.8	68.5	19.3	8.3	41.3	34.7	7.30	9.98		
Mysore .. ..	34.3	73.0	19.8	6.0	50.4	27.4	9.16	3.23		
Orissa .. ..	22.4	63.6	26.1	12.4	40.0	34.4	4.21	2.28		
Punjab .. ..	34.5	42.2	24.2	3.3	52.4	39.9	93	79		
Rajasthan .. ..	18.5	54.6	10.7	8.3	34.2	23.9	96	3.27		
Uttar Pradesh ..	28.9	49.7	23.8	6.4	54.8	16.6	39.25	5.71		
West Bengal ..	30.4	78.6	3.3	12.2	28.7	29.7	8.84	3.49		
Delhi .. ..	27.3	20.8	20.0	20.1	49.4	36.7	47	47		
Himachal Pradesh	25.0	33.3	37.0	14.3	33.3	50.0	—	1		
Manipur .. ..	26.2	98.9	—	20.9	39.7	47.4	14	4		
Pondicherry ..	26.6	26.5	65.6	18.2	52.9	47.1	27	45		
Tripura .. ..	20.8	93.1	—	23.5	31.4	47.1	10	12		
TOTAL .. ..	38.5	45.7	36.5	8.1	47.4	29.8	1,47.05	69.12		

63. The number of societies in the group 'other industries' (i.e. after excluding weavers, spinning mills and industrial banks) was 21,288 in 1961 against 10,178 in 1958.

(b) Societies in other industries The number of their individual members had increased from 6.33 lakhs in 1958 to 12.12 lakhs in 1961 and their working capital from Rs. 8.25 crores in 1958 to Rs. 17.11 crores in 1961, an increase of 107.5 per cent in three years against an increase of 109.2 per cent in the number of societies and 91.47 in that of their membership. Their owned funds increased from Rs. 3.07 crores in 1958 to Rs. 6.03 crores in 1961 and borrowings from Rs. 5.18 crores



in 1958 to Rs. 11.10 crores in 1961. Only 22.39 per cent of their borrowings were, however, from central financing agencies against 47.33 per cent from government and 30.28 per cent from other sources in 1961. The corresponding percentages in 1958 were 38.81, 37.80 and 23.39. Their annual sales had increased from Rs. 8.79 crores in 1958 to Rs. 17.94 crores in 1961 (an increase of 104 per cent). The expenditure on management was 11.69 per cent of their annual sales. 34.1 per cent of the societies earned profits and 42.1 per cent societies incurred losses in 1961, the amount of profits being Rs. 0.69 crore and losses Rs. 0.84 crore. Their accumulated losses in 1961 were Rs. 0.63 crore. The position of the societies with their membership, working capital and annual sales is shown in Table IV.

TABLE IV

*Position of Other Industrial Societies as on 30th June, 1961.*

(amount in Rs. '000)

Name of State	No. of societies	No. of individual members	Working capital	Annual sales	Balance of undistributed profits and accumulated losses
1	2	3	4	5	6
Andhra Pradesh ..	2,484	1,48,406	1,22,59	1,66,03	(—) 7,99
Assam .. ..	252	5,434	9,65	6,12	(+) 11
Bihar .. ..	951	28,108	26,52	27,86	(+) 1
Gujarat .. ..	624	31,377	1,55,40	1,84,19	(+) 2,12
Jammu & Kashmir	18	2,545	8,12	5,79	(+) 5
Kerala .. ..	1,881	2,38,501	2,04,01	2,57,83	(—) 31,49
Madhya Pradesh	1,200	25,348	45,91	55,86	(+) 2,66
Madras .. ..	1,741	2,05,728	83,63	2,37,64	(—) 1,89
Maharashtra ..	1,968	71,491	2,34,35	2,43,80	(—) 10,46
Mysore .. ..	1,064	2,21,327	2,88,03	1,23,83	(—) 12,26
Orissa .. ..	400	21,647	28,57	22,23	(—) 1,05
Punjab .. ..	2,921	49,747	1,71,15	1,54,18	(—) 5,30
Rajasthan .. ..	2,461	55,785	1,11,69	94,51	(+) 5,84
Uttar Pradesh ..	2,136	55,045	1,04,08	1,00,07	(+) 5,44
West Bengal ..	624	37,735	50,13	45,52	(—) 4,71
Delhi .. ..	321	7,384	56,06	60,98	(—) 3,16
Himachal Pradesh	40	1,124	2,16	64	(—) 30
Manipur .. ..	115	2,676	3,24	3,11	(+) 56
Pondicherry ..	16	671	61	55	(—) 2
Tripura .. ..	71	1,754	5,39	2,95	(—) 92
TOTAL 1960-61	21,288	12,11,833	17,11,29	17,93,69	(—) 62,76

64. The ratio of owned funds to working capital of the societies was higher than 1/3rd in 9 states in 1961 as shown in Table V. It was particularly high in Maharashtra and Mysore. More than 50 per cent of the total borrowings of these societies were from government in 7 states, being very high in Kerala, Assam, Andhra Pradesh and Madras. Mysore was the only state where more than 53 per cent of the borrowings of the societies were from central financing agencies. This state has 3 district industrial cooperative banks and one state level industrial cooperative bank. In almost all other states the percentage was lower than 33 per cent and was negligible in 5 states. The percentage of societies earning profit is low in almost all states mostly ranging between 30 and 40. The percentage of societies incurring losses was particularly high in 3 states and those that either did not start functioning or were dormant, particularly high in 4 states.

TABLE V

*Details regarding Other Industrial Societies as on 30th June, 1961*

(amount in Rs. '000)

Name of State	Owned funds as % of working Capital	Borrowings from Govt. as % to the total borrowings	Borrowings from CFAs as % to the total borrowings	Cost of management as % to the sale	Societies showing profit as % of total No. of societies	Societies showing losses as % of total No. of societies	Total amount of profit	Total amount of losses
1	2	3	4	5	6	7	8	9
Andhra Pradesh ..	34.7	31.7	4.1	13.6	28.3	54.6	3,53	11,23
Assam ..	28.2	86.0	1.0	17.0	26.2	29.4	56	46
Bihar ..	29.0	45.6	14.6	13.7	30.3	40.7	1,27	1,57
Gujarat ..	39.7	29.8	27.2	9.3	34.9	42.6	7,21	2,72
Jammu & Kashmir	11.1	—	4.3	2.8	55.6	33.3	10	5
Kerala ..	19.5	90.9	2.6	9.3	26.4	65.5	8,40	25,30
Madhya Pradesh..	35.0	40.4	32.2	8.9	30.0	17.9	2,91	1,18
Madras ..	33.8	76.3	10.7	6.4	31.2	59.2	2,65	4,54
Maharashtra ..	45.8	39.5	30.6	12.5	27.5	40.2	10,21	10,18
Mysore ..	40.0	30.0	53.9	17.3	33.9	33.8	3,48	3,32
Orissa ..	21.4	58.9	12.3	21.2	34.5	37.5	1,88	99
Punjab ..	36.2	29.1	34.4	8.3	49.1	43.1	3,87	6,34
Rajasthan ..	34.3	32.3	9.1	15.5	36.1	27.8	6,64	5,25
Uttar Pradesh ..	32.1	67.3	9.2	12.7	40.0	31.5	11,80	6,36
West Bengal ..	36.6	67.1	4.5	24.7	24.8	38.5	1,95	1,67
Delhi ..	31.8	22.4	22.6	16.9	32.7	43.9	1,74	2,14
Himachal Pradesh	39.8	26.2	53.8	25.0	45.0	45.0	3	12
Manipur ..	43.5	71.0	8.7	38.6	52.2	40.0	30	7
Pondicherry ..	44.3	55.9	44.1	—	31.3	50.0	1	3
Tripura ..	17.8	82.6	—	27.8	8.5	36.6	9	53
TOTAL	35.2	47.3	22.4	11.7	34.1	42.1	68,63	84,05

### General position

सत्यमेव जयते

## CHAPTER III

### THIRD FIVE YEAR PLAN

66. As indicated in the Report on the Third Five Year Plan "in those industries where considerable progress has been made in the formation of cooperatives such as handloom and coir, the emphasis in the Third Plan will be on consolidation of the organisation and finances of the existing cooperatives and on bringing more of the workers within the cooperative fold. In other

Place of Industrial co-operatives in the Third Plan

industries, efforts will be directed towards the formation of industrial cooperative societies. The main steps proposed to be taken include provision of financial assistance to cover the expenditure on managerial and supervisory staff for a limited period, subsidisation of the rate of interest charged by the central cooperative financing agencies to the primary cooperative societies, expansion of facilities for the training of staff and strengthening of the staff in the State Departments dealing with industrial cooperatives. In some selected areas separate industrial cooperative banks may be set-up provided certain conditions are satisfied. "Although the plans of the states provide for several schemes for encouraging industrial cooperatives, efforts in those directions need to be intensified further during the Third Plan. At the present stage of development, the important consideration is that effective use should be made of the available concessions and facilities for the formation of industrial cooperatives which have now been evolved so as to strengthen the existing cooperatives and to encourage the organisation of new ones on sound lines and to concentrate on the solution of practical problems of finance and marketing. On present indications the number of industrial cooperatives in the Third Plan may increase from about 30,000 to about 40,000, their membership rising from over 2 million to 3 million and their share capital from about Rs. 10 crores to about Rs. 20 crores. It is desirable that in the light of recent decisions, the Central and State Governments should take steps to prepare further and more specific proposals for the development of industrial cooperatives and should ensure that they receive the necessary support from government agencies, the All India Boards and various financial institutions in spreading their activities".

67. Accurate data on small industrial units in rural and urban areas is not yet available. The National Sample Survey has prepared some estimates based on data collected by them in the 7th (October, 1953—March, 1954), 8th (July, 1954 to April, 1955), 9th (May to November, 1955), 10th (December,

Available information on small industries

1955 to May, 1956) and 14th (July, 1958 to June, 1959) rounds according to which there are in the country about 99 to 135 lakh households engaged on small scale manufacture and handicrafts with workers (full time and part time) ranging from 126 to 202 lakhs. This data admittedly based on restricted coverage, gives a very rough indication of the extent of dispersal and size of household industries. It excludes registered factories as well as non-household units like cooperative societies, joint stock companies, government agencies, etc. A more accurate idea can be formed from the estimates of the Registrar General of India which place the number of workers in household industries at 120.31 lakhs in 1961. The estimates for registered factories employing less than 50 workers if using power and less than 100 workers if not using power were nearly 34,000 with 6.7 lakhs workers in 1960.

68. The units in rural areas depend on the support of local consumers and in urban areas on merchants who provide them credit, raw materials and market. The essential needs of these units are (a) adequate and timely availability of funds on reasonable terms; (b) supply of raw materials and (c) a favourable market for their products. To these may be added the requirements of the improved tools, techniques and know-how. This is particularly the case where a unit is trying to stand on its own legs and to expand. To improve the position of such units an extensive programme to organise them into industrial cooperatives will have to be introduced. Their capacity must be mobilised in the present emergency to meet defence requirements such as woollen blankets, dusters, gauze cloth, packing cases, boots and shoes, hospital furniture and similar other goods. They have to meet local demand for consumer goods to a larger extent because of a shift in the production programme of the larger units to meet the requirements of defence. In this changed context our view is that in regard to the coverage of industrial households in the cooperative fold a bolder attempt than that envisaged at the time of the preparation of the Plan is both necessary and feasible. The aim should be to bring about 30 per cent of the workers in household industries under cooperative organisation. This would mean an upward revision of the existing programme to about 15,000 new industrial cooperatives and an addition of 15 lakh members. The total number of societies by the end of the Third Plan will then be 48,000 with 40 lakh members (an increase of 60 per cent over the Second Plan bringing the number of members per society to 83). During the First and Second Plans the number of societies increased by 6,000 and 20,000, membership by 5 lakhs and 13 lakhs and working capital by

Suggested overall target  
for industrial cooperatives  
in Third Plan

Rs. 6.7 crores and Rs. 40 crores respectively. With emphasis on an all-round industrial development and the changed circumstances created by the Chinese aggression, the increase in the number of societies and membership as proposed may be regarded as reasonable. The target for working capital will accordingly be Rs. 300 per individual member, i.e., Rs. 120 crores (an addition of Rs. 67 crores during the Plan). This will necessitate special efforts in increasing the paid-up capital by an additional amount of Rs. 20 crores to obtain a paid-up capital of Rs. 85 per individual member.

69. It would be necessary to examine the break-up of this programme under different groups of industries. The biggest of them is handloom weaving. There were only 6.8 lakh looms in the cooperative fold on 30th September, 1953. The number of weaver societies increased to 10.27 lakhs by the end of the First Plan and to 13.47 lakhs by the end of the Second Plan. The target of bringing an additional 4.5 lakh looms into cooperative fold during the Second Plan could not be reached. No target has been fixed for bringing additional looms into the cooperative fold during the Third Plan, nor has any target been fixed for the formation of new industrial cooperatives. Emphasis now is on utilising the existing capacity to a fuller extent before creating additional capacity in this sector. By 30th September, 1962 the number of looms with the cooperative societies increased to 13.52 lakhs out of 28.49 lakh looms that the Textile Commissioner had on his register under the Cotton Textiles (production by handloom) Order. The momentum gained during the past ten years has led to a continuous growth in the number of these societies. We, therefore, expect that additional 1,800 societies may be organised by the end of the Third Plan bringing the total number of weavers societies to about 13,700. Their membership may increase by about 1.8 lakhs bringing their total membership to 15 lakhs.

70. Of the total production target of 9,300 million yards of cloth set for the last year of the Third Plan, the share of the decentralised sector (handloom, powerloom and khadi industries) has been fixed at 3,500 million yards (output in 1960-61 was placed at 2,350 million yards) and the handloom industry is expected to contribute a major portion of the production viz., 2,800 million yards. Of this, the annual production developed in the cooperative sector by the end of the Third Plan is estimated at over 1,000 million yards.

71. The weavers societies had a paid-up capital of Rs. 38 per member at the end of Second Plan. We expect that as a result of the efforts made to augment their

(c) Working capital owned funds the paid-up capital per member will increase to Rs. 65 by the end of the

Third Plan bringing the total paid-up capital to Rs. 9.75 crores against Rs. 5.01 crores at the end of the Second Plan. The reserve and other funds are expected to increase from Rs. 5.51 crores at the end of the Second Plan to Rs. 7.15 crores by that of the Third Plan. The owned funds would thus be Rs. 16.90 crores at the end of the Third Plan. The borrowings of the weavers societies from government at the end of the Second Plan were Rs. 7.67 crores, and from central financing agencies Rs. 6.12 crores. Since the cooperative banks are now providing short-term funds on a more liberal scale, the borrowings from government are being restricted to loans for equipment and similar other purposes except in certain areas where the cooperative banks are yet very weak. The borrowings of the weavers societies from government may therefore not exceed Rs. 7.50 crores at the end of the Third Plan but those from the central financing agencies may well increase to Rs. 12.25 crores. One line of development open to handloom weavers is the establishment of preparatory and finishing plants in order to improve the quality of their cloth. Some activity may be generated in this direction and the societies concerned may avail of the state financial corporation loans for such purposes. The borrowings of the societies from these and other sources may increase from Rs. 2.99 crores at the end of the Second Plan to Rs. 5.59 crores at that of the Third Plan. The total borrowings of the weavers societies at the end of the Third Plan are thus estimated at Rs. 25.34 crores and their working capital Rs. 42.24 crores.

72. An amount of Rs. 38 crores has been provided in the Plan for the development of handloom industry and conversion of handlooms into powerlooms. The entire

(d) Plan provision of Government funds programme in the sector is directed towards the development of weavers cooperative societies.

There are a number of items of developmental expenditure which are met out of the Plan provisions. An amount of Rs. 4 crores is ear-marked for the conversion of handlooms into powerlooms. Of the remaining Rs. 34 crores it is expected that an amount of Rs. 24.00 crores may be spent on developmental projects, rebates, grants, etc. An amount of Rs. 2 crores has been estimated by us for state participation in the share capital of the spinning mills. Of the remaining amount,

Rs. 4.25 crores would be required for share capital loans and share participation in weavers' societies and another Rs. 3.75 crores for loans for equipment, working funds, etc., for the societies.

73. The sales by the weavers' cooperatives have not kept pace with the increase in working capital. It was expected that the turn-over of the societies should increase as their financial position improves.

(e) Sales

The actual turn-over has come down from 2.3 times in 1957-58 to 1.8 times the working capital in 1960-61. We hope that the sales machinery of these societies will be geared up to attain a turn-over of 3 times their working capital by 1966.

74. With a view to improving the economic condition of handloom weavers a programme for conversion of handlooms into powerlooms on a cooperative basis was introduced early in the Second Plan on the recommendations of the Textile Enquiry (Shri Nityanand Kanungo) Committee which recommended installation of 35,000 powerlooms during 1956-58. Progress was, however, slow and of the 13,000 powerlooms sanctioned upto the end of the Second Plan period only 3500 to 4000 were installed. There were 82,805 powerlooms in May 1962 of which 25,718 were for cotton and 57,087 for fabrics other than cotton. It was first estimated that there were another 30,252 unauthorised looms, of which 18,712 were for cotton and 11,540 for non-cotton fabrics. A provision of Rs. 4 crores had been made for the conversion of handlooms into powerlooms in the cooperative sector during the Third Plan and a programme under this scheme was initiated, but was postponed in favour of regularising the unauthorised powerlooms. A committee has now been set up to enquire into the problems of the powerloom industry because as many as 67,000 applications were received for regularisation of unauthorised powerlooms. The number of powerloom co-operatives so far reported is 699.

75. One of the measures initiated to strengthen the handloom industry is to enable it to get its supplies of yarn from cooperative spinning mills of which the weavers cooperative societies themselves are members. The handloom industry will require 15.6 lakh bales of cotton yarn for producing 2800 million yards of cloth in the last year of the Third Plan. Of the four million additional spindles to be licensed during the Third Plan, two million spindles will be distributed among the states to meet their



local requirements and one million have been retained for unbalanced and uneconomical textile mills.

(a) Licences

Licences are issued for cooperative spinning mills outside the regional allocation of the states provided the schemes are approved by the All India Handloom Board and implemented with financial assistance from the Board. If these conditions are not observed the requirements are to be met out of the state quota.

76. 21 cooperative spinning mills were registered at the end of the Second Plan and licences were issued for setting up 16 mills in the cooperative sector. 16 additional licences have been issued till 10th

(b) Targets

April, 1963. 12 additional applications for licences have been received so far by the Central Government and it is learnt that proposals for another 12 mills are pending with the State Governments. The total number of cooperative spinning mills that may thus be registered by the end of the Third Plan may go up to 56. 4 cooperative mills were in production by the end of the Second Plan. We expect that at least 12 mills would be functioning at the end of the Third Plan, and another 8 mills would be at different stages of installation of the plant and equipment. Considerable time is taken in making preliminary arrangements, getting licences, making arrangements for finance, booking of orders and receipt of equipment. The remaining 36 societies will not have completed these preliminary arrangements by the end of Third Plan.

77. We accordingly estimate that the working capital of the cooperative spinning mills may stand at Rs. 15 crores at the end of the Third Plan, of which the owned funds

(c) Working capital

would be Rs. 8.00 crores and borrowings Rs. 7.00 crores. Of the owned funds, the paid-up capital is expected to be Rs. 7.20 crores and reserve and other funds Rs. 0.80 crore. Of the total borrowings, those from the government may be not more than Rs. 6 lakhs. The investment of a cooperative spinning mill with 12,000 spindles in land, building and equipment is estimated at Rs. 50 to 60 lakhs and the requirements of capital for stocking raw materials finished products, etc., Rs. 20 lakhs. The Industrial Finance Corporation has already sanctioned limits to 4 cooperative spinning mills upto 60 per cent of the cost of plant and equipment. We have assumed that the other cooperative spinning mills will also be able to borrow from the Industrial Finance Corporation, the state financial corporations and other sources to the same extent. The cooperative banks have been providing short and medium term loans to the cooperative spinning mills, whose borrowings from this source at the end of the Second Plan was Rs. 1.03

crores. In our view, at the end of the Third Plan, the borrowings of the spinning mills from central financing agencies would be Rs. 2.10 crores and from the Industrial Finance Corporation and other sources Rs. 4.84 crores. Under the pattern of assistance 51 per cent of the shares of the cooperative spinning mills are purchased by the government. The government investment at the end of the Second Plan was Rs. 1.50 crores out of the total paid-up capital of Rs. 3.32 crores. It is, therefore, estimated that government's contributions at the end of the Third Plan would stand at Rs. 3.5 crores of which the contribution during the Plan would be Rs. 2.00 crores.

78. 855 khadi cooperatives had been organised by the end of the Second Plan. The number increased to 930 by the end of March, 1962. A target of developing 15 per cent of the khadi production in the cooperative sector has been set by the Khadi and

**Khadi cooperatives** Village Industries Commission. As yet about 97½ per cent of the production is being carried on by registered institutions etc. many of which have a long standing and high reputation. While some of them have started transferring their activities to cooperative societies, there are others who do not accept the necessity of doing so. Moreover, organisational and procedural difficulties are being faced by the existing khadi cooperatives due to which the organisation of new cooperative societies has been going slow. The membership of 236 khadi cooperatives about which information is available was 28,822, their paid-up capital Rs. 4.56 lakhs, production worth Rs. 29.44 lakhs and sales valued at Rs. 50.48 lakhs during 1961-62. Some of these societies sold goods produced by other khadi production units. Profit and loss data available on 195 societies show that 152 societies earned a profit of Rs. 2.23 lakhs in 1961-62 and 43 societies incurred a loss of Rs. 0.5 lakh only. We expect that 350 additional khadi cooperatives may be organised during the Third Plan and a provision of Rs. 8.17 crores may be utilised (Rs. 4.59 crores on rebates, grants, and developmental measures and Rs. 3.58 crores as loan to cooperatives).

79. There were 1389 cooperative societies engaged in hand pounding of paddy at the end of the Second Plan. The number increased to 1699 on 31st March, 1962.

**Hand pounding of paddy** Nearly 85 per cent of the KVI programme for this industry is being implemented through cooperative societies. The production by 934 of these cooperatives was 21.89 lakh maunds worth Rs. 3.28 crores and sales 11.7 lakh maunds valued at Rs. 2.35 crores during 1961-62. Full-time employment was provided to 22,833 persons and part time

employment to 17,052 persons by these societies. The KVI programme includes organisation of 1670 cooperatives in this industry during the Third Plan and 90 per cent of the KVI provision for this industry i.e. Rs. 2.29 crores (Rs. 0.73 crore as grant and Rs. 1.56 crores as loan) will be utilised for cooperative development.

80. 3,593 oil cooperatives had been organised under the KVI programme by the end of Second Plan. Their number increased to 3,988 by 31st March, 1962. The development of this industry has been mainly through cooperatives. 90 per cent of the total production of oil under the Khadi and Village Industries Commission programme was by cooperative societies, which included some multipurpose cooperative societies also. District and state level federations of these cooperatives have been formed in some states. The Khadi and Village Industries Commission has not yet fixed targets for this industry. We, however, expect that 1800 oil men's cooperatives may be organised during the Third Plan. The provision for this industry is expected to be Rs. 3.34 crores of which Rs. 1.16 crores may be as grant and Rs. 2.18 crores as loan.

81. There were 307 cooperative societies in non-edible oil and soap industry at the end of the Second Plan. Their number rose to 387 by 31st March 1962. The membership of 124 soap making, 28 oil pressing and 35 seed collection cooperatives for which data is available was 13164, paid up capital Rs. 7.94 lakhs and working capital Rs. 36.69 lakhs. They produced goods worth Rs. 12.51 lakhs and sold goods worth Rs. 11.02 lakhs in 1961-62. Full time employment was provided by them to 444 persons and part-time employment to 10,080 persons, the wages paid being Rs. 1.56 lakhs and Rs. 0.14 lakh respectively. A target of organising 360 cooperative societies in this industry during the Third Plan has been fixed by the Khadi and Village Industries Commission. A provision of Rs. 1.93 crores will be available for development of cooperatives in this industry during Third Plan, of which Rs. 0.38 crore will be grant and Rs. 1.55 crores loan.

82. There were 411 cooperative societies in gur and khand-sari industry at the end of the Second Plan under the KVI programme. The number increased to 577 by 31st March 1963 when their membership was 31,122 working capital Rs. 41.64 lakhs and paid-up capital Rs. 12.95 lakhs. Most of these societies are engaged in supply of equipment on hire-purchase basis and do not

undertake any production activity. No targets have yet been fixed for this industry but it is expected that 200 cooperative societies may be organised. Henceforward the stress will be on organisation of societies of production type and supply of equipment to those who do not require other services, might be arranged through village service cooperatives. A provision of Rs. 1.98 crores (Rs. 0.33 crore grant and Rs. 1.65 crores loan) will be available for the development of the cooperatives during the Third Plan.

83. The entire provision under palmgur industry is being utilised on the cooperative sector. There were 2902 primary palmgur cooperatives at the end of the Second Plan, with a membership of 3.17 lakhs, and paid-up capital of Rs. 14.57 lakhs.

#### **Palmgur**

Their number increased to 2942 in 1961-62; membership to 3.60 lakhs and paid-up capital to Rs. 15.57 lakhs. District, apex and all India federations have been set up by these cooperatives. Employment to 2.88 lakh persons was provided by the cooperatives which produced palmgur worth Rs. 2.93 crores and effected sales of Rs. 3.13 crores. This industry is suffering acutely from lack of institutional finance. The KVI target for the organisation of cooperatives in this industry is 475 and the entire plan provision of Rs. 2.04 crores will be available to the cooperative sector of which Rs. 1.02 crores will be grant and another Rs. 1.02 crores loan.

84. There were 122 bee-keeping cooperatives at the end of the Second Plan. Their number increased to 145 by the end of March, 1962. About 35 per cent of the total production of honey came from the cooperative sector, being 3.97 lakh pounds of

#### **Bee keeping**

honey valued at Rs. 7.94 lakhs. The KVI target for organisation of cooperatives in this industry is 72. A provision of Rs. 0.49 crore (Rs. 0.41 crore grant and Rs. 0.08 crore loan) will be available for the development of bee-keeping cooperatives during the Third Plan.

85. There were 75 cooperative societies of hand-made paper makers at the end of the Second Plan of which only 32 were active, 39 at various stages of organisation and 4 dormant. The number of these co-

#### **Hand-made paper**

operatives increased to 95 on 31st March, 1962. The cooperatives produced 4.33 lakhs kilograms of paper value at Rs. 8.73 lakhs and sold 3.62 kilograms of paper valued at Rs. 8.81 lakhs *i.e.* about 1/3rd of the total production and sales of the units in this industry under the KVI programme. They provided employment to 2,173 workers and paid Rs. 2.21 lakhs as wages. The Third Plan target is to organise 47 hand-made

paper makers cooperatives. A provision of Rs. 0.30 crore (Rs. 0.14 crore grant and Rs. 0.16 crore loan) will be available to the cooperatives in this industry under the KVI programme.

86. There were 18 match workers cooperative societies under the Khadi and Village Industries Commission programme at the end of the Second Plan. The number

**Match manufacturing** increased to 20 on 31st March 1962. A few other match workers cooperatives have been organised under the programme of the Central Social Welfare Board and the State Directorates of Industries as 'B' class factories. Data received from Andhra Pradesh, Kerala, Madhya Pradesh, Madras, Mysore, Punjab and Uttar Pradesh shows that there are 64 cooperatives in these States. No target has been fixed for organisation of cooperatives in this industry during the Third Plan. It may, however, be expected that another 10 cooperatives might be set up and a provision of Rs. 0.23 crore (Rs. 0.10 crore as grants and Rs. 0.13 crore loans) made available for development of cooperatives in this industry under the KVI programme. We do not expect new cooperative societies to be set up under other programmes.

87. There were 93 cooperatives in fibre industry at the end of the Second Plan under the KVI programme which increased to 122 during 1961-62. The target for these cooperatives has not yet been fixed by the Khadi and Village Industries Commission.

**Fibre works** It appears, however, that 100 cooperatives may be organised under their programme during the Third Plan and a provision of Rs. 0.33 crores (Rs. 0.20 crore grants and Rs. 0.13 crore loans) made available for the development of cooperatives in this industry. Some societies of fibre workers manufacturing mats and other products were also covered by the handicrafts programme. There were 162 such cooperatives of mat makers and 30 of workers producing other fibre products at the end of the Second Plan. The target of the All India Handicrafts Board is to organise another 88 mat workers cooperatives and 60 those of fibre workers making other products during the Third Plan. Separate funds for development of these cooperatives will have to be provided by the Directorate of Industries from out of the handicrafts provision available with them.

88. Some cooperatives in the leather industry are receiving assistance under the KVI programme, some under the SSI programme of the Directorate of Industries and a few, particularly manufacturing artistic footwear and other leather goods, under the handicrafts programme. The number of leather cooperatives in

**Leather cooperatives**

the KVI group was 1,582 at the end of the Second Plan and 1,981 on 31st March 1962. The production of 337 cooperative units in 1961-62 has been reported to be Rs. 82.07 lakhs, sales Rs. 85.91 lakhs and employment 3712. The KVI target for this industry is to organise a total number of 867 leather cooperatives during the Third Plan bringing the total number to 2,449. There were 80 cooperatives manufacturing artistic leather work under the handicrafts programme. The target for the Third Plan is an addition of 50 such cooperatives. This is exclusive of leather workers cooperative societies, that may be organised and receive assistance under the SSI programme from the Directorate of Industries. According to our estimates the total number of leather workers societies that might be organised under the Third Plan for flaying tanning, footwear and leather goods manufacture would be 1,500. The Khadi and Village Industries Commission is expected to utilise Rs. 2.69 crores (Rs. 1.12 crores as grants and Rs. 1.57 crores loans) out of its provision for the development of leather cooperatives. An additional provision of Rs. 2 crores would be required from the SSI funds available with the Directorate of Industries for the development of this industry.

89. Some cooperatives in carpentry and blacksmithy receive assistance from the Khadi and Village Industries Commission and the remaining from the State Directorates of Industries out of the SSI allocations. 236 carpenters and black-smiths' societies had been organised under the KVI programme by the end of the Second Plan. Their number increased to 347 by 31st March 1962. From the data received from some states it appears that the total number of societies of carpenters and black-smiths would be round about 1400. The Khadi and Village Industries Commission may organise about 550 societies by the end of the Third Plan for which a provision of Rs. 0.52 crore (Rs. 0.26 crore grants and Rs. 0.26 crore loans) would be available. This is an important rural industry which has a good scope of development, since the demand for services of the carpenters and black-smiths has been increasing both in rural and urban areas. We estimate that 1500 cooperative societies of carpenters and blacksmiths will be organised during the Third Plan bringing the total number of these societies to 2800. In addition to the provision made by the Khadi & Village Industries Commission, an amount of Rs. 0.9 crore may have to be provided by the Directorates of Industries under their programme for development of rural and small scale industries.

90. While some societies of village potteries come under the development programme of the Khadi & Village Industries Commission and some under that of the All India Handicrafts Board, there are others that are

**Pottery**

developed under the SSI programme by the Industries Directorates of the states. 609 societies of potters had been organised under the KVI programme by the end of Second Plan and the number increased to 823 by 31st March 1962. 96 cooperatives were covered by the handicrafts programme at the end of the Second Plan. Many pottery societies organised under both the KVI as well as SSI programmes had developed additional activities of lime burning and bricks and tiles making. Some societies are by now engaged only in these new activities. From the data received by us from some states it appears that the total number of cooperatives in the pottery, lime burning, bricks and tiles making industry would be about 1700. Nearly 70 per cent of the production under the KVI programme for this industry was by the cooperatives which, however, employed nearly 6 times as many workers as registered institutions and paid nearly 6 times the wages, the production of the cooperatives being Rs. 33.58 lakhs, sales Rs. 30.14 lakhs and wages paid to 17115 full time and 4072 part time workers Rs. 15.15 lakhs. The membership of 569 societies on which additional data is available was 15,415 their working capital Rs. 11.47 lakhs and paid up capital Rs. 4.57 lakhs. The KVI programme includes organisations of an additional 740 pottery cooperatives during the Third Plan and that of the All India Handicrafts Board, an additional 64 cooperatives. It appears that the total number of societies that may be organised by the end of the Third Plan under all the three programmes would be 1,000. A provision of Rs. 1.08 crores (Rs. 0.46 crore grant and Rs. 0.62 crore loan) will be made available for development of these cooperatives under the KVI programme. An additional amount of Rs. 0.38 crore would have to be provided by the Industries Departments under their handicrafts and SSI programmes for development of this industry.

91. There were 380 cooperative societies mostly of women engaged in embroidery work at the end of the Second Plan. The target for organisation of new societies in this industry under the Third Plan is 220.

**Embroidery**

92. There were 71 cooperative societies manufacturing toys and dolls at the end of the Second Plan. Most of them were women's cooperatives. A few of the societies are undertaking manufacture of mechanical toys. The target for the Third Plan is organisation of 29 new societies.

**Toys and dolls**

93. There were 65 societies of traditional weavers engaged in weaving artistic fabrics and 125 societies of hand printers under the handicrafts programme. The target for the Third Plan is to organise 25 new societies of the former type and 75 of the latter.

Artistic weaving and hand printing  
94. There were 55 cooperative societies of carpet manufacturers, gabba makers and manufacturers of other types of floor covering at the end of the Second Plan. The target for the Third Plan is organisation of another 35 cooperatives in this industry.

95. There were 345 cooperatives of the cane and bamboo workers at the end of the Second Plan under the handicrafts programme. The target for the Third Plan is an addition of 175 cooperative societies.

Wood work  
96. There were 110 cooperatives engaged in manufacture of artistic wood work at the end of the Second Plan under the handicrafts programme. The target for the Third Plan is an additional 40 cooperatives of these craftsmen.

Jewellery, filigree, gold and silverwares  
97. There were 52 cooperatives of gold and silversmiths at the end of the Second Plan. The Third Plan target of the Handicrafts Board is to organise another 48 cooperatives in this craft. A larger number of societies of gold-smiths may, however, be organised in view of the recent Gold Control Order.

Ivory shell horn and bone work  
98. There were 69 societies of ivory workers and makers of shell horn and bone products at the end of the Second Plan. The Third Plan target is an addition of 31 cooperatives in these crafts.

Musical instruments beads, perfumes, papier mache and other handicrafts products  
99. There were 14 cooperative societies of manufacturers of musical instruments, 13 of perfume makers, 29 of stone carvers, 6 of papier mache workers and 68 of workers in other handicrafts at the end of the Second Plan. The Third Plan targets are to organise 20 cooperatives in this group.

Brass and bell metal workers  
100. There were 178 cooperative societies of brass and bell metal workers manufacturing artistic goods at the end of the Second Plan covered under the handicrafts programme. Some of these were also manufacturing utensils. There were also other



societies of brass and bell metal workers engaged in manufacture of utensils and other utility products which were covered under the small scale industries programme. The plan target for the cooperatives coming under the handicrafts programme is an addition of 92 cooperatives.

101. The estimated expenditure on handicrafts during the Second Plan was Rs. 4.8 crores of which Rs. 0.28 crore was spent on carpentry. The allocation for the Third Plan is Rs. 8.6 crores. The All India Handicrafts Board expects 50 per cent of the States allocation to be spent on handicraft cooperatives. An amount of Rs. 3.05 crores will thus be available, of which some State Governments have made separate provision of Rs. 1.08 crores and others have yet to make it. Separate provisions for handicrafts cooperatives should be made by those states which have not already done so and the provisions suitably stepped up by all states to reach a target of 50 per cent of the Third Plan provision.

102. Coir industry provides employment to about 5 lakh persons in Kerala alone. The bulk of the production in this industry is carried on in a large number of very small units most of which are located in cottages. As a major portion of its products is exported it has an added importance. The scheme for this industry includes the collection of green husks by husk societies and its sale to primary coir cooperative societies for retting, conversion into fibre and production of yarn; preparation of mats, mattings, ropes, and other products by factory cooperatives; and sales of yarn and other products by central coir marketing societies. There were 187 coir cooperatives at the end of the First Plan. As a result of the various developmental measures adopted by the Coir Board and the State Governments further progress was made during the Second Plan period and 446 coir cooperatives were organised by 1961 with a membership of 1.12 lakhs and working capital of Rs. 1.43 crores. Further details of these societies are given in Statement IX. Of the 369 cooperative societies in Kerala on 31st March 1961 there were 316 primary cooperatives, 31 husk societies, 3 central coir marketing, 2 mats and matting manufacturing, 2 rope making and 15 coir cooperative unions. A majority of the societies were thus primaries producing yarn. The total value of sales effected during 1960-61 amounted to Rs. 197.56 lakhs. The coir goods exported by the cooperatives directly accounted for 2.56 per cent of the total coir goods exported in 1960-61 and 2.66 per cent in 1961-62. Substantial business was done by 189 societies, 114 had a nominal turnover and the remaining 143 were dormant. During 1960-61,

97 societies worked on profit, the aggregate profit being Rs. 2.38 lakhs whereas 309 societies incurred losses aggregating to Rs. 13.50 lakhs.

103. Efforts are being made by the Coir Board to revitalise the societies and to get 50 per cent of the persons engaged in the industry enrolled as members of coir co-operatives by the end of the Third Plan as against the present coverage of 20 per cent.

(b) Targets

The target set by the Coir Board for the Third Plan is to organise an additional number of 254 coir cooperatives bringing the total number of societies to 700 with a membership of 2.5 lakhs, paid up capital Rs. 0.3 crore, working capital Rs. 2.5 crores, production Rs. 4.5 crores and sales Rs. 4.7 crores of which exports will be of Rs. 1.5 crores. An amount of Rs. 1.9 crores is expected to be spent on the development of the cooperatives during the period.

104. A controversy has arisen as to whether coir cooperatives should undertake retting operations or not. Retting is an important operation in the coir industry and a large portion of the profits accrue on account of this activity. A fear was expressed by the Reserve Bank of India and the cooperative banks

(c) Bank finance

in regard to the risk involved in financing societies undertaking retting on the ground that it is difficult to take stock of husks under retting. During our visit to the coir cooperatives, however, we found that raw husks are made into bundles of a standard size, packed in nets before being sunk in water and distinctly noticeable labels of ownership put on each lot. We were told by the local people that there are no cases of theft of husks in the process of retting. We are of the opinion that coir cooperatives should be encouraged to purchase raw husk, undertake its retting and sell retted husk to members in addition to their usual activities of sale of yarn and other finished products of their members. The cooperative banks should be agreeable to advance loans to these societies against the security of husks in the process of retting subject to such safeguards as may be necessary in practice to protect their interests.

105. There were 81 sericulture societies at the end of the Second Plan. These included (i) seed production cooperatives, (ii) chowky rearing cooperatives, (iii) credit and service cooperatives and (iv) cocoon and raw silk marketing cooperatives. The

Sericulture

members of the seed production cooperatives are rearers who join the societies to get an assured and timely supply of sufficient quantity of disease free seed of high yield. These societies have

helped in increasing the earnings of the members by ensuring regular supplies of cocoons at reasonable prices. Chowky rearing cooperatives undertake to collect indents of the requirements of the member rearers, purchase the required quantity of disease free layings, and undertake incubation and rearing upto the second stage before supply to the rearers. Credit and service cooperatives are organised to supply improved rearing appliances to the members and to provide them cheap credit when required. Cocoon marketing societies collect cocoons from the rearers and arrange for their sales. Their programme includes provision of stifling chambers and storage rooms for stocking cocoons. Raw silk marketing cooperatives undertake collection of raw silk through special depots, advance loans against security of the consignment and sell silk. It is proposed to organise 168 additional cooperatives during the Third Plan. A provision of Rs. 23.42 lakhs has been earmarked for development of cooperatives in different states out of the total Third Plan provision of Rs. 553 lakhs.

106. Government follows a policy of giving preference to cooperative societies over individual salt manufacturers in the leasing of Government lands and issuing of licences. Salt cooperatives are freely

**Salt** licensed, provided each individual member of the society holds an area not exceeding 10 acres and the entire holdings of each society are worked as a single unit. No assignment fee is charged for the land leased out to cooperative societies. Salt manufacture in factories of members of a cooperative society whose individual holdings do not exceed 10 acres is exempt from the cess leviable under Section 3 of the Salt Cess Act, 1953. Steps are also taken to promote formation of cooperative societies of the licencees. Surveys are conducted by the Salt Department free of cost for cooperative societies. There were 33 societies at the end of the Second Plan with a membership of 7699 and production of 3.86 lakh tonnes. Government had allowed 8354 acres of land to these societies. During the Third Plan a provision of Rs. 1 crore has been made for development of private salt works. 25% of this provision is expected to be utilised for the development of cooperatives and for the organisation of 10 additional societies.

107. There were 297 cooperative societies of tailors and garment makers in Andhra Pradesh, Bihar, Jammu & Kashmir, Kerala, Madhya Pradesh, Maharashtra, Mysore, Orissa, Rajasthan and West Bengal which had separate data on them. The total number of cooperatives in this craft would be higher. Most of these societies are of tailors working on manually operated sewing

machines. Some of them are also women's cooperatives. There is one cooperative of tailors using electrically operated machines in Delhi.

108. Information on 104 hosiery cooperatives in Andhra Pradesh, Bihar, Kerala, Maharashtra, Mysore, Punjab, Rajasthan, Uttar Pradesh and West Bengal was made

**Hosiery** available to us by the respective State Governments. There may be hosiery cooperatives in other states also. There are good prospects for the growth of these cooperatives if only they could be assisted with adequate supplies of yarn. A working group recently set up by the Government of India to study the various aspects and problems of the hosiery, knitting and embroidery industry has recommended that wherever practicable the cotton hosiery units be encouraged to set up cooperative spinning mills purely for the purpose of spinning hosiery yarn.

109. Information on 60 cooperatives of bidi workers is available from Andhra Pradesh, Kerala, Madhya Pradesh, Mysore, Orissa, Rajasthan, Uttar Pradesh and West Bengal. There would be cooperative societies in this industry in other states also.

110. Information on 9 sports goods cooperatives is available with the departments in Jammu & Kashmir, Mysore, Kerala and Uttar Pradesh. There will be some other cooperatives in this industry.

111. According to the data available in Bihar, Gujarat, Jammu & Kashmir, Madhya Pradesh, Madras, Maharashtra, Mysore, Rajasthan and West Bengal there are 183 cooperative societies of sheet metal workers. The number of these societies in all states will be larger. Many of them are receiving assistance from the Small Industries Service Institute and the state Directorate of Industries.

112. There are 529 cooperative societies in engineering industry in Andhra Pradesh, Assam, Madhya Pradesh, Maharashtra, Mysore, Orissa, Punjab, Rajasthan, U.P. and West Bengal. There would be cooperatives in this industry in other states also. These cooperatives also receive assistance from the Small Industries Service Institutes and the State Directorates of Industry. As a result of a survey of the Small and Handtools Industry, the Engineering Association of India has advocated organisation of cooperative societies to assist their members in

supplies of indigenous as well as imported raw materials and sales of finished goods. The survey shows that about 60% of the tools are marketed through agents, wholesalers and retailers and the balance is sold direct to the customers. According to the Association these cooperatives can be very helpful in soliciting orders from overseas and domestic markets, distribute them according to the capacity of each member, enforce quality control at different stages of manufacture, introduce their own trade marks, make services of highly qualified technical personnel available to the members, run extension services and install heat treatment equipment and special purpose machines. A note on the organisation of a few cooperative societies for the benefit of the small engineering units is given in Appendix 'G'.

113. According to data available in Jammu & Kashmir, Madhya Pradesh, Maharashtra, Mysore, Chemical products Rajasthan, Uttar Pradesh and West Bengal there are 42 cooperative societies engaged in the manufacture of chemical products. There would be societies in other states also.

114. There are a number of other industries like glass-ware, brush making, umbrella handle manufacture, postal seals making and so on in which societies have been Other industries organised but separate data have not been maintained. A list of industries, in which societies have received assistance from the Small Industries Service Institutes and the National Small Industries Corporation or whose bank loans have been guaranteed under the Credit Guarantee Scheme is given at Statement VII.

115. The Third Plan provision under the group "Small Scale Industries" is expected to be utilised for the mechanised small scale industries as well as for those manually operated industries which do not receive assistance under the handloom, Provision of Government funds for SSI and other industries handicrafts, sericulture, coir and KVI schemes. It also includes provision for schemes like guarantees and grants to banks, training institutions and multi-industry federations, the benefit of which is derived by cooperatives in coir, handicrafts and other industries as well. Loans to be advanced under the State Aid to Industries Acts and Rules to industrial cooperatives as well as other parties in not only small scale industries but also handicrafts and other industries in rural and urban areas are included in this provision. A substantial percentage of small scale industries loans and grants would be required for development of the industrial cooperative societies. A provision totalling Rs. 5.03

crores for some schemes of cooperative development has been separately made by some states. A provision of Rs. 1.4 crores has also been made by the Centre. We recommend that 25% i.e. Rs. 11.1 crores of the Small Scale Industries provision in the state plans should be utilised for the development of industrial cooperatives. Some states have laid down target for development of societies in this group. Others may also do so.

116. While the progress of industrial estates established by the government has been generally encouraging, some of them could not attract a sufficient number of industrialists because of unsuitable location, absence of integrated planning, high cost of construction and failure to design factory buildings according to the needs of the industrial units. Cooperative industrial estates present a safeguard against these difficulties because they have usually a nucleus group of entrepreneurs who ensure the selection of a suitable location, construction of structures at reasonable cost and designing them according to the needs of the members. There is thus a more practical approach in planning a cooperative industrial estate. A target of organising 100 cooperative industrial estates has been set for the Third Plan. Some states have already fixed their targets and made allocations for them. The total Third Plan allocation for this group is likely to be Rs. 4 crores.

117. The targets for organisation of cooperatives during the Third Plan would be 7,250 societies under the KVI programme, 1,052 under the handicrafts programme, 254 under the Coir programme, 168 under the sericulture programme, 10 under the salt programme and 4,466 under the SSI programme making a total of 13,200 societies. There will thus be about 34,300 cooperatives in the 'other industries' group. We expect that about 13.20 lakh additional members may join these cooperatives bringing the total membership to 25 lakhs at the end of Third Plan. Their owned funds may rise to Rs. 19.10 crores, of which paid-up capital would be Rs. 17.05 crores and reserve funds Rs. 2.05 crores. Their borrowings at the end of the Third Plan would be Rs. 43.66 crores of which Rs. 18.36 crores would be from government, Rs. 12.30 crores from central financing agencies and Rs. 13 crores from Life Insurance Corporation, the state financial corporations, the Industrial Finance Corporation and other agencies. The total working capital of the societies at the end of the Third Plan would thus be Rs. 62.76 crores.

118. The pattern of assistance of the Khadi and Village Industries Commission includes grants for many purposes which would amount to Rs. 10.89 crores during the Third Plan. Some grants will be available to cooperative societies in coir and other industries under other programmes also.

**Plan provision of Government funds for other industries**

There would also be expenditure on departmental set up, grants to cooperative banks, the Cooperative Training Committee and other organisations. The total grants under the plan are estimated at Rs. 14 crores. Share capital loans will be provided to the members of the cooperatives under the KVI as well as other programmes, which will account for Rs. 10.26 crores. An amount of Rs. 15.74 crores will be required for loans for equipment, working capital, etc., of the KVI and other cooperatives. A provision of Rs. 10 crores will be required under the scheme of government loan to cooperative banks for financing industrial cooperative societies, the introduction of which we are suggesting in the next chapter. If there is delay in introduction of the scheme or in placing the amount at the disposal of the banks, this provision will be required for direct government and KVI loans for working capital, etc. The total plan provision for the development of cooperatives in this group will be Rs. 50 crores.

119. We expect that 15,000 new cooperative societies may be organised during the Third Plan bringing the total number of industrial cooperatives to 48,000 with a membership of 40 lakhs and working capital of Rs. 120 crores. Of this the owned funds would be Rs. 44.00 crores and borrowings Rs. 76 crores. The paid-up capital would be Rs. 34 crores and reserves Rs. 10

**Third Plan targets for cooperatives in all industries**

crores. The borrowings of these societies from the Government would be Rs. 25.92 crores including the amount passed through the Khadi and Village Industries Commission, from cooperative banks Rs. 26.65 crores and from the state financial corporations, the Industrial Finance Corporation, the Life Insurance Corporation and other sources Rs. 23.43 crores. Of the Plan provision under the head Village and Small Industries Rs. 84 crores may be utilised towards development of cooperative societies, of which Rs. 46 crores would be by way of government loans to societies, their members and banks and by way of share participation. Share capital loans and share participation by government may account for Rs. 16.01 crores. Government loan for working capital, equipment and other purposes to the societies Rs. 19.99 crores and government loan to the banks for being advanced to industrial cooperative societies Rs. 10 crores.

120. Third Plan targets for industrial cooperatives in regard to their number, membership, working capital that might be reached in different states are indicated by us in statement X. Our estimates of plan allocations of government funds in each state for reaching these targets are given in statement XI. Further break up of these targets and of allocations of government funds for different industries will have to be made by the states.

121. The craftsmen and workers who depend on commercial or industrial concerns for supply of credit, raw materials and sales or are employed by them require a

**Production cooperatives require government assistance to a greater extent.**

type of society that can relieve them of such dependence. These societies have to provide funds for purchase of raw materials and stocking of finished goods. They have to arrange for marketing and to organise production by the member either in his own establishment or in the workshop of the society on a piece-rate payment since the member is unable to bear the risk of production to any extent. Such societies are being particularly sponsored for weavers and KVI workers. It must be remembered that their members are able to raise capital in very small instalments and take a long time to manage the society effectively. They require continuous assistance from government and other organisations in (i) raising adequate funds, (ii) acquiring managerial skill and (iii) adopting efficient business practices.

122. The small manufacturers and craftsmen who are comparatively independent and like to take their own risk generally require societies for credit and supply of raw materials. In some cases they may take

**Need for organisation of service cooperatives**

advantages of cooperative marketing facilities, viz. canvassing of orders and show-rooms. They would be benefited particularly by the establishment of common facility workshops fitted with machines which they cannot own individually but which they require to improve their quality. Cooperative societies that guarantee the loans advanced to them by banks and that could make accounts keeping service available to them, help them in preparing tax returns and in fulfilling forms to be submitted under the factory and other Acts would be particularly suitable to them and so would be the cooperatives that undertake the export of goods. Along with the necessity of paying due attention to the formation of workers' cooperatives, the need for organisation of societies of craftsmen and small manufacturers cannot be ignored. In Germany, Japan and other countries such societies have successfully assisted their members to compete with larger units. They have the capacity to raise



adequate share capital and provide necessary managerial skill and business acumen. They grow into economically viable units and become a source of strength to the industrial cooperative sector as a whole.

123. The Government of India have recently accepted a policy of encouraging the formation of such societies for credit, supply, sale and other services. In the context of utilising the capacity of small industrial units for government stores purchases, developing ancillary production, promotion of exports and emphasis on buildings, decentralised structure of the economy, the organisation and development of these cooperatives assumes special importance. It is expected that a substantial number of such societies would be organised during the Third Plan in the field of handicrafts, coir and small scale industries on an industry-wise basis. This would include societies of (i) artisans, (ii) master craftsmen and (iii) small industrialists. A distinction will be necessary in regard to the nature and quantum of assistance that would be provided to the 3 categories of societies, care being taken to see that special assistance meant for the societies consisting of workers and artisans is not utilised by the societies formed by well-to-do master-craftsmen and industrialists. We would like to point out that one of our members is not in favour of even registering such societies if they are promoted by master-craftsmen and small industrialists.

124. There are small manufacturers and craftsmen whose institutional needs are confined to credit and banking facilities. They could organise industrial cooperative credit societies to meet their demand on a single craft or multi-craft basis. In places where they are numerous and their credit operations are of the sizeable nature, their requirements would be met more appropriately by societies that undertake usual banking operations like the maintenance of current accounts, grant of cash credits, discounting of bills, opening of letters of credit, transfer of funds, etc. Amongst the different alternatives for making these facilities available to them, one is that the district industrial cooperative banks wherever they exist, should accommodate both societies as well as individual members residing within the area of five miles' radius from their principal offices or branches; another course for them could be to organise separate banks of their own or industrial loans, and the third one is to utilise the services of the existing urban cooperative banks.

Organisation of a substantial number of service societies expected

Credit & banking facilities for small Industrialists & Craftsmen

125. The amount of loans issued by non-agricultural primary credit societies for industrial purposes actually declined from Rs. 6.59 crores in 1958-59 to Rs. 3.96 crores in 1960-61 according to the statistical statements of the Reserve Bank of India.

**Facilities provided by urban banks not adequate**

A survey of the urban cooperative societies conducted by the Reserve Bank in 1957-58 revealed that only 8.4% of their members were industrialists and only 4.9% of their total advances and 2.9% of their total outstandings were for industrial purposes. The main industries patronised by the urban banks included minor engineering, chemicals and handloom weaving. The urban cooperative banks met only 51.6% of the demand of the member industrialists 37.1% of their borrowings being from commercial banks and the remaining from money lenders, traders, commission agents and other sources. Of the borrowings of member industrialists 48.2% were on personal security, 35.2% against merchandise and the remaining on the security of the real estate, bullion, shares, etc. A major portion (73%) of the borrowings were at a rate of over 7% but not exceeding 9% interest; interest up to 25% was paid in some cases and only a small portion (4.2%) of the borrowings were at 5% or lower rate of interest. The report also shows that the member industrialists utilised 86.6% of their borrowings for industrial purposes and 10.9% for business purposes.

126. Following the recommendations of the Committee set up in 1956 by the Small Scale Industries Board to examine the question of utilising the services of urban cooperative banks to finance small-scale industries the Government had introduced a scheme to use their agency for routing government loans. Under the scheme the state governments were requested to select a few

**Schemes for routing government loans through urban cooperative banks.**

urban cooperative banks for this purpose, subscribe to the shares of those of them which had a share capital of less than Rs. 20,000 to the extent of the difference between their existing paidup capital and this amount, and place at their disposal government funds for being advanced to small industrialists at 3% interest per annum. It was agreed to pay a subsidy of 3% to the banks to cover the margin required by them for their overhead expenditure and to guarantee the losses, if any, incurred by them in respect of the principal. The banks were expected to meet short-term requirements of the small industrialists from out of their own funds. No subsidy was, however, offered on the bank loans resulting in their having to charge two different rates of interest on the two types of loans to the same party. The Committee had originally suggested selection of 400 urban cooperative

banks including 47 new banks that they had recommended to be set up under the scheme in those areas where the urban cooperative banks did not exist or were too weak. The Committee had also given criteria for selection namely concentration of small scale industries, availability of power and transport facilities, etc.

127. This scheme has operated to a very limited extent in certain parts of Gujarat and Mysore only. Its implementation is virtually in abeyance. As a result of the recommendations made by the First Working Group on Industrial Cooperatives in regard to the promotion of institutional finance for this sector through central financing agencies and industrial cooperative banks, efforts are being made increasingly towards integrating the various arrangements for finance. A time has come in our opinion to establish an integrated structure both as regards the banking institutions and the terms and conditions on which they are to cater to industrial finance. It is as a component of this coordinated arrangement that urban cooperative banks organised for the benefit of individual industrial units among others, should find their due place.

128. We, therefore, recommend that the scheme referred to above be reconsidered and a revised scheme worked out for utilising the agency of the existing or new urban cooperative banks for industrial loans on a pilot scale. Upto six such banks may be selected in each state in towns which have not got facilities of industrial cooperative bank of the mixed type. In the changed circumstances of the money market, it would be necessary that a bank selected under the scheme should have a minimum paid up capital of Rs. 50,000. Government should assist those banks whose working capital is below this figure by meeting the difference by share participation. The guarantee referred to in paragraph 126 should be extended to these banks. They should be given managerial grants by the government to enable them to appoint a special deputy manager an accountant and an inspector for industrial work. This grant may be on the usual sliding scale viz., 100% during the first year, 75% during the second year, 50% during the third year and 25% during the fourth year. Where it is intended to assist them with government funds these should be made available through central financing agencies and not directly. The central financing agencies should make the required funds available to them at a rate not higher than the Reserve Bank rate of interest viz. 4½%. We

expect that loans should be made available by these banks to their members at a rate of interest not much above that charged by the State Bank of India under its liberalised scheme for financing small scale industries i.e. at about 6½%. This will allow them a margin of 2% or so for their service charges. In Chapter V, we are recommending a subsidy of 3% to be paid by government to cooperative banks on their own as well as government funds advanced by them to industrial cooperatives. We recommend a similar subsidy on funds advanced by the central financing agencies to urban cooperative banks for industrial purposes. This margin of 3% is to be shared between the apex and central banks. The latter have to operate over a wider area covering a district. The urban banks on the other hand operate in a compact area based on selected towns where conditions are favourable. The margin of 2% or so on the supplemental finance should, therefore, suffice. Where this is found to be inadequate, the central financing agencies may consider the granting of a more favourable rate than 4½% or the urban cooperative banks may be permitted to charge a somewhat higher rate of interest to the borrowing units. In areas where selection cannot be made out of the existing urban cooperative banks, new banks may be organised for the purpose. The results of the pilot experiment may be reviewed at the end of 3 years.

129. As far as the credit requirements of the rural craftsmen are concerned it is expected that in places where they are found in too small a number to form an industrial cooperative society their needs would be met by the village service societies. It, however, appears that very little attention is paid by these societies to this activity and the loans issued by the agricultural primary credit societies for industrial purposes which were Rs. 0.50 crore only out of their total loans of Rs. 110.77 crores during 1958-59 declined to Rs. 0.37 crore out of the total loans of Rs. 182.82 crores issued during 1960-61. In some states no loan was issued for industrial purposes by these societies. It is necessary that they are made aware of their responsibility to finance village craftsmen and are encouraged to pay due attention to their needs.

130. The supply and sales societies would be well advised to appoint experienced salesmen for canvassing and booking orders, ensure that the production of the members is according to specifications and keep to the schedule of delivery. It would be easier to deal with wholesalers and exporters if the societies set up an agency for collecting information on the products in demand and on the market trends so that they could forewarn

Credit requirements of dispersed rural craftsmen should be met by village service cooperatives

Arrangements should be made by supply and sales societies for booking orders

their members. These societies could also develop ancillary production by booking orders with larger industrial concerns for manufacture of components and parts and undertake job orders on behalf of their members. The societies are able to get more favourable rates to their members, reduce competition between them and save time each member would otherwise spend in establishing contacts. The government departments and private concerns in their turn would be assisted in having to deal with one agency instead of many.

131. Retail sales could be arranged by them and a good showroom maintained for exhibiting the products of members at the head office of the society or at a marketing centre. Those members whose financial position is weak, require the societies to pay an advance against goods supplied by them on consignment. In case societies undertake to make such advances they should observe the terms and conditions that a credit society would normally observe, namely, keeping an adequate margin, getting an authority to sell the goods at market prices if they are not sold at the price fixed by the member within a prescribed period and charging separate interest in addition to the normal commission. The societies whose financial position is good may purchase outright certain stocks for sales in their shops but it would be necessary to ensure that the price paid for these goods is not higher than that paid by the other shops in the market. The sale prices should also as far as possible be so fixed that they are not much lower than those prevalent in the market so that there is no undue price cutting by competitors. The society should continue to adjust its prices according to the market trend even when market prices decline to a rate lower than that at which the society purchased its stocks. Sometimes societies feel reluctant to do so thereby limiting their sales turnover of the capital which ensures an adequate return to the societies and their members.

132. The procedure followed by the production and sale societies is to purchase raw materials on their own account, supply them to the members for production on fixed wages and sell the goods so produced. Some societies introduce in this an element of security by asking the member to make a cash payment for a deposit towards the cost of the raw materials supplied to him, some others treat it as a credit transaction between the member and the society and some others continue to own the raw materials and expect the members to work as wage earners. It is advisable to allow the member to share as much risk as possible

**Retail sales and procedure for fixing prices**

**Risk of wastage etc. in production societies borne by member or society**

for wastage, manufacture of goods below the specifications and so on, which is possible in the first two cases. There is the advantage in the first case of augmenting the funds of the society by using the resources of the members which may not be possible in the latter two cases.

133. Among the handicaps which small industrial units and craftsmen suffer from, is their inability to keep proper accounts, fill in the numerous forms required under different Acts and prepare the tax returns. It is a specialised job which only experts can handle well. The cooperative societies can maintain an accounts unit to keep the accounts of members and prepare the forms and returns for them on payment of a regular fee.

134. Many small industrialists and craftsmen do not have adequate security to offer to a bank against its advances to them. The need is particularly felt by those industrial units which have started receiving larger stores purchase orders from government or who have prospects of getting orders for export or ancillary production work. This problem is also faced by those small industrialists who have the technical capability of expanding their business but do not have the financial capacity to do so. In Japan, Germany and other countries credit guarantee associations have been organised to act as guarantors to the banks against advances to such members. We are of the opinion that possibility and utility of organising such cooperative guarantee organisations need to be examined in details.

135. Then there are the common facility workshops set up by some societies, for rolling, wire drawing, forging and heat treatment, testing, assembling and similar other preparatory or finishing jobs. Wages should be fixed by these societies on piece rates as far as possible. They should also work out reasonable charges for different jobs which members who supply their own material for processing, may be asked to pay. The services of a trained cost accountant should be utilised to determine the cost of production and a system of testing and checking the quality should be strictly followed. If the members expect the society to purchase raw materials and supply the processed material to them on cash or on credit, its price should be calculated on the basis of cost of raw materials plus processing charges and a reasonable profit. In the case of finishing and final processing, if the members allow the finished goods to be sold by the society, it may do

so on their account or make outright purchases. The precautions suggested by us in the case of credit, supply and sales societies apply to these societies also. As far as production is concerned, they have to ensure that wastage and cost of production are reduced to the minimum and quality improved.

A voluntary quality control should be introduced by these cooperatives as well as others that undertake production either in their own or the members' workshops. These societies should create a provident fund for the workers in their workshop and a depreciation fund for replacement of worn out machinery. They should observe the conditions laid down under the Factories Act and other labour legislation.

**Voluntary quality control be introduced**

136. There are, then, the societies that organise production under one shed and bear the risk of production and sales. Wages in this case also should be paid on a piece rate basis as far as possible. They should not be higher than those prevalent in similar factories. Many societies have suffered by fixing high wage rates when profit was in sight instead of keeping them within reasonable limits and building up reserves. Special emphasis should be laid on periodical cost accounting to keep an eye on sale price and profits.

**Fixation of wages and prices by production societies**

Credit transactions as far as the members are concerned get limited to occasional advances for non-production purposes against a charge on their future salaries. These and other societies have to have credit transaction with suppliers of raw materials and buyers of their products. In this case they should ensure that the credit facilities allowed to them by suppliers do not increase their liabilities beyond reasonable limits and timely payments are made.

**Credit purchases by production societies**

137. As far as credit sales are concerned, the societies should follow the market practice of including in their supply vouchers the terms of credit and the rate of interest chargeable in case of delayed payment. Effort should be made to observe these terms strictly. These societies should also take the precautions suggested by us in the case of other societies for credit, supply, sales, production etc. and create similar funds for different purposes.

**Credit sales by production societies**

138. For the orderly growth of the industrial cooperatives, it is essential that the authorities concerned with the organisation and registration of new societies discuss with the promoters the prospects of the proposed cooperative becoming a viable unit in terms of the government policy for the industry within a reasonable period of time. The coming together of a group of individuals as a cooperative entity entails certain inevitable overhead costs, *e.g.* on account of management, accounts, audit, etc. If the society is to be able to bear them, its scale of operations has to be at least as much as will provide it with a net income sufficient to meet such costs. From this point of view, it becomes necessary to ensure beforehand that the society will have adequate as well as dependable membership. It would further be useful to have model schemes worked out which would indicate in broad terms some of the minimum preconditions of viability in respect of industrial cooperatives in different industries. This will have to be attempted both for the production type and the service type of industrial cooperatives. Model schemes for small scale industries are already being prepared by the Small Industries Service Institutes. Similar schemes should be worked out for the more important among the traditional household type of industries in which the industrial cooperatives are expected to play a significant role.

Examination of prospects of proposed co-operative necessary

139. While recognising the need to have a larger turn over of the cooperatives than at present so as to make them viable, it is necessary to take care that personal contacts with members and basic principles of mutuality and cooperation are not sacrificed.

Area of operation

For the small industries, a town, a village or a group of villages within easy reach, where there is a concentration of craftsmen belonging to the same trade, would be the normal area of operation for an industrial cooperative which undertakes credit, supply, sales and production activities. In the case of dispersed village craftsmen who depend on a particular marketing place, the area of operation of a society organised on a single industry or a multi-industry basis for supply, sales and other services with its headquarters at the marketing place may extend to the villages depending on it. The worker members of workshop cooperatives have to be those residing within a convenient distance from the workshop but for sales purposes it may have to deal with distant parties. It should not, however, run a retail shop or a wholesale depot far away from its headquarters; there are cases of primary societies that have incurred heavy losses in such attempts.



140. Federations of industrial cooperative societies may be set up at important marketing centres on a single or multi-industry basis according to local circumstances provided a need is felt by the primary cooperatives for arranging supplies, sales, common workshop facilities or other services. An important service that these federations can provide to their member societies would be that of bulk purchases of raw materials and of sales by canvassing orders, undertaking wholesale and retail business. These federations can also act as liaison between the producers' societies and consumers' societies on the one hand and raw materials supply societies on the other. They can undertake to guide the member cooperatives in quality control. For this purpose, they must employ technicians of a higher calibre than those whom member societies can afford. There are many societies that cannot afford trained accountants to maintain their accounts which are very complicated specially in the case of production and sales societies, to fill up and submit properly and in time the numerous forms and returns prescribed under the different Acts and to prepare tax returns. Such accounts and allied services can be made available to them on payment of fees by an accounts unit of the federations which can thus reduce irregularities, relieve the societies of this complicated work and allow them to concentrate their attention on production and other activities.

141. At the state level, there should be at least one Industrial Cooperative Federation whose function would be to undertake supply, sales and other services. It should canvass export orders, government orders, orders from other exporters, wholesalers, consumer cooperatives and bigger industrial concerns. It may run purchase and sales depots, showrooms and retail shops in big cities and organise exhibitions, seminars, publicity campaigns and undertake such other activities as would help the primary societies to develop. It may act as a liaison between the government and industrial cooperatives and study special problems of the cooperatives. It may have some reserve staff of trained managers, salesmen, etc. whose services may be made available to societies. It may also have arrangements with consultants in salesmanship, business management, cost accounting and technicians in important trades for assisting societies in various ways.

142. Separate weavers' federations have been formed in 12 states. They may not like to accept the responsibility of business connected with cooperatives in other industries, special federations for coir, silk, handicrafts and small scale industries, palmgur and oilmams' societies have been formed in one or two states. Multi-industrial Federations have been formed

Functions of central federations

Functions of apex federations

Single industry federations, if possible; multi-industry otherwise

in many states. While separate state level federations may be organised for those industries in which it is possible to run them economically, multi-industry federations are required to serve other industries and such federations may be organised in those states where it has not been done.

143. At the all India level a federation has been organised by the weavers' cooperatives and another by the palm gur societies.

As far as handicrafts are concerned their marketing is done by the State Government emporia as well as the khadi bhavans. A suggestion has been made that both the handloom as well as handicrafts cooperatives will gain if the federations of the weavers' societies could accept the handicrafts cooperatives as their members and undertake to sell handicrafts products. This deserves serious consideration.

Handloom federations may deal in products of handicraft cooperatives.

144. There is need for a body that can undertake export of products of the coir cooperatives and develop domestic market. Coir has an important place in the Indian economy as a foreign exchange earner, its earnings being Rs. 11.35 crores in 1961-62. The need for a separate all India federation of coir cooperatives needs no special emphasis.

All India federation for coir cooperatives necessary

145. Another industry which has an export orientation is the leather industry where the E. I. kips and leather footwear are the main export items. Though the number of tanning and footwear cooperatives is fairly large, they are not yet strong enough to form an all India federation of their own. The khadi cooperatives form a class by themselves and have to work within special limitations. Their market and method of working are therefore well defined. The Khadi and Village Industries Commission is, at present, doing the work of an all India khadi and village industries cooperatives federation. The State Khadi and Village Industry Boards are performing similar functions at the state level. These Boards are nominated by the State Governments and financed by the Khadi and Village Industries Commission and the State Governments. As the number of KVI cooperatives increases, it may be possible to form state khadi and village industries cooperative federations in some states.

KVI federation a possibility

145. Another industry which has an export orientation is the leather industry where the E. I. kips and leather footwear are the main export items. Though the number of tanning and footwear cooperatives is fairly large, they are not yet strong enough to form an all India federation of their own. The khadi cooperatives form a class by themselves and have to work within special limitations. Their market and method of working are therefore well defined. The Khadi and Village Industries Commission is, at present, doing the work of an all India khadi and village industries cooperatives federation. The State Khadi and Village Industry Boards are performing similar functions at the state level. These Boards are nominated by the State Governments and financed by the Khadi and Village Industries Commission and the State Governments. As the number of KVI cooperatives increases, it may be possible to form state khadi and village industries cooperative federations in some states.

146. There is a need to organise a National Federation of Industrial Cooperatives whose membership may extend to the all India federations organised on a single industry basis as well as the apex industrial cooperative bodies. This federation may undertake import and export business in such items as cannot be handled by the single industry federations, run showrooms and depots in Calcutta, Bombay, Madras and Delhi for the items for which separate depots have not been set up by the single industry federations and canvass orders from the Director General of Supplies and Disposals and other Central Government departments, exporters, wholesalers and large factories. The business thus secured may be distributed amongst units in different states. It may have on its staff technicians and experts in different industries and in problems of industrial cooperatives and business management, cost accountants, canvassers and salesmen. It should have a special wing to study the problems of industrial cooperatives. And lastly it should coordinate the activities of the industrial cooperatives in different states and different industries and provide a common platform for this sector.

Need for national federation of industrial cooperatives

147. In cooperative workshops the managing committee members come in daily contact with the ordinary members who get many more opportunities to question them than is the case in societies of other types. The dual role of a member-worker often gives rise to a delicate and difficult situation which can only be met through proper education of members of the managing committee as well as the ordinary members in regard to their respective roles. The present system is to leave this education to the teams appointed by the cooperative unions for all cooperatives. It has not proved sufficiently effective. It would be necessary to alter the syllabus, period and the system of training and to introduce training in urban areas also. We, therefore, recommend that an experiment be tried of organising special training of members and directors of industrial cooperatives by the Committee for Cooperative Training of the National Cooperative Union of India.

Cooperative training

(a) Education of members

148. We came across some industries officers whose attitude towards industrial cooperatives was one of apathy and indifference. This is largely because of their lack of understanding and acceptance of the cooperative principles and practice. That it is their duty to promote cooperative organisation in this field in pursuance of the national policy has to be impressed upon them.

(b) Orientation course for industries officers.

We would suggest organisation of special orientation courses of two or three weeks' duration for these industries officers who are in charge of providing technical, financial and other facilities, supplies of controlled materials, issue of essentiality certificates for import licences, recommending units for government stores purchases and for hire-purchases of machinery.

149. Reliable statistics on industrial cooperatives is an important requisite for planning. Collection of statistics has been undertaken by the Reserve Bank of India Statistics  
(a) Need for detailed which is, however, encountering considerable difficulties in this work. The small Statistics  
cell in the Ministry of Commerce and Industry has also attempted to supplement the effort of the Reserve Bank of India but not much success has been achieved. The information is classified separately under four groups viz. (i) weavers' societies (ii) spinning mills (iii) industrial cooperative banks and (iv) societies in all other industries. Information is not available in these tables on important points like societies undertaking production and sale, those providing supply, sale and other services, common facility workshops, cooperative industrial estates and federations of such societies, actively participating members and non-workers members, position of share capital loans advanced by government, borrowings of the societies from the Khadi and Village Industries Commission, the State Bank of India and its subsidiaries, the state financial corporations and the Life Insurance Corporation, purchases and sales of raw materials and finished products, transactions in goods kept on consignment, advances made by societies to members and others, wages paid and other similar important items. Our attempts to get data on important groups of industries were unsuccessful because it has remained untabulated in the districts.

150. In some of the major states, there are more than one agency responsible for supplying data on industrial cooperatives to the Reserve Bank of India. In Andhra Pradesh, the Registrar of Cooperative Societies furnishes data on weavers cooperatives and the Director of Industries and Commerce on other industrial cooperatives. In Kerala, the Registrar of Cooperative Societies does so on other industrial cooperatives, the Special Coir Officer on coir cooperatives and the Director of Industries on weavers' cooperatives. In Madras, the Registrar of Cooperative Societies supplies information of weavers' societies, the State Khadi and Village Industries Board on palm gur societies and the Director of Industries and Commerce on other industrial societies. Considerable time is taken in the compilation of data by the Reserve

Bank of India as much time is lost in checking and counter checking.

151. Moreover, the classification used by the states is not uniform. Oilmen's cooperatives in Assam, Punjab and West Bengal, societies of paddy huskers in Assam

(c) Diverse classification and Bihar and of jaggery manufacturers in Punjab are classified under 'agricultural processing societies'. They are classified as 'industrial cooperatives' in other states. Detailed classification of other industrial cooperatives varies in different states and makes all India grouping difficult. Many states classify societies under heads such as "small scale industries", "village industries", "handicrafts", "women's industrial societies", while others give a better descriptive account by classifying them under heads like "coir societies", "leather workers' societies", "pottery and brick societies", "metal workers'" and so on.

152. In our opinion data on all cooperatives in each state should be available with a single agency though it may be

(d) Suggestions for improvement

collected by the officers-in-charge of different sectors. We recommend preparation of a standard classification of industries, introduction of standard forms for collection of data and fixation of responsibility of compilation and supply of data to a statistical cell in the Cooperative Department even in those states where industrial cooperatives are under the Directorate of Industries or any other department. We are further of the opinion that statistics should be published on cooperatives in important industries and the Reserve Bank may examine the inclusion in the statistical statements of items mentioned by us earlier.

153. In the Rules of Business, the head 'Industrial Cooperatives' has been allotted to the Ministry of Commerce and Industry.

Role of central organisations in industrial cooperative work

In the Ministry of Commerce and Industry, there is a Director of Industrial Cooperatives assisted by two Deputy Directors to look after the work relating to this subject. There is a Standing Committee for Industrial Cooperatives on which is represented, besides the Commerce and Industry Ministry, the Ministry of Community Development and Cooperation, the Finance Ministry, the Planning Commission, the Reserve Bank, the Khadi & Village Industries Commission and the all India Boards like the Handloom Board, etc. Each of the all India boards and the Khadi and Village Industries Commission is responsible for work connected with the development of cooperatives in its own respective field. The All India Handloom Board limits its activities to the

development of the cooperative sectors and the entire Plan allocation for handloom is reserved for cooperative development. In the khadi and village industries sector the share of cooperatives varies from about 2.5% of the production in khadi to 100% in the case of palm gur industry. A special advisory Committee has been set up by the Commission for cooperative work and a Director supported by other staff has been appointed. Work connected with handicrafts cooperatives has been entrusted by the All India Handicrafts Board to a Deputy Director with a small cell which works under the guidance of a special advisory committee. The Coir Board has appointed a special officer for development of cooperative societies but has not yet set up any standing advisory committee. In the Central Silk Board, there are some officers with cooperative background but there is no standing advisory committee or special officer for maximising cooperative content in this field. The Central Small Industries Organisation has been treating the small scale industries cooperatives on par with other units for facilities provided by the Small Industries Service Institutes, the National Small Industries Corporation and other agencies. Though the syllabus of the course conducted by it for training of the block level industries extension officers includes cooperation as one of the subjects and an experimental programme for developing industrial cooperatives was initiated by the organisation sometime back, there is no separate officer in the Organisation for industrial cooperative work, nor is there a standing committee to advise the Organisation on matters relating to this field.

154. We recommend that standing advisory committees for cooperatives should be appointed by the Central Silk Board, the Coir Board and the Small Scale Industries Board and selected officers of the Small Industries Service Institutes, the National Small Industries Corporation and different Boards should be trained in industrial co-operation so that pointed attention could be paid by them to the promotion of this sector. We feel that the Organisation in the Commerce and Industry Ministry should be strengthened. Implementation of a number of schemes evolved by the Ministry of Commerce & Industry has been slow for want of adequate liaison between the representatives of Commerce and Industry Ministry and the various authorities in the States. Bolder programmes for supply, sales, training and organisation will have to be introduced to impart strength and momentum to this sector. It would be necessary for this purpose to have in the Ministry of Commerce & Industry a stronger organisation headed by an officer of a higher status than the

**Appointment of advisory committees and Commissioner for Industrial co-operatives**

Director which could study the different problems of the industrial cooperatives and pursue with the State Governments more vigorously the introduction and implementation of the programmes for industrial cooperatives. We understand that the Commerce & Industry Ministry, at one stage proposed to have a Commissioner for Industrial Cooperatives supported by adequate staff, for pursuing the various developmental programmes with the State Governments and other All India Boards but that did not materialise. We are of the view that the stage has now been reached when this proposal should be given effect to. The various recommendations that we have made in this report require sustained action on the part of a high level officer at the Centre and we, therefore, commend to Government that the Commerce & Industry Ministry's original proposal should be revived and given effect to.

155. At the state level, while the Registrar of Cooperative Societies continues to handle work relating to industrial cooperative societies in many states, there are four states *viz.* Madras, Mysore, Orissa and

Administrative set-up in  
the states

(a) Existing position

Andhra Pradesh where work relating to cooperatives in certain industries and three others, *viz.* Kerala, Uttar Pradesh and Madhya Pradesh where work relating to all industrial cooperatives has been transferred to the Director of Industries. These arrangements have been made to suit local conditions. In Punjab, the Joint Registrar for industrial cooperatives is attached to the Director of Industries, though he continues to be under the administrative control of the Registrar. In Madhya Pradesh, though the Joint Registrar for industrial cooperatives is under the Director of Industries, he takes orders from the Registrar of Cooperative Societies on matters of cooperative principles. In the former Bombay State an experiment was tried by first creating an industrial cooperative section within the cooperative department with a Joint Registrar for industrial cooperatives and village industries with special field staff and later setting up an entirely separate department for industrial cooperatives and cottage industries in order to get the benefit of both cooperative as well as industrial experience. After bifurcation of the State, the Maharashtra Government has discontinued this arrangement. The cottage industries work is handed over to the Director of Industries and the cooperative work brought under the control of the Registrar of Cooperative Societies with a separate cell of officers for industrial cooperative work both at the headquarters as well as at the field level. In Gujarat, the same field staff is made responsible for industrial cooperatives, village industries and other cooperative work at the field level, but a specialised

cell is provided for this work under the Registrar at the headquarters. There is a distinct tendency towards keeping the work connected with cooperatives in traditional industries with the Registrar of Cooperative Societies and an increasing bias to the transfer of work relating to cooperatives in mechanised industries to the Director of Industries.

156. The question, whether the administration of industrial cooperatives should remain with the Cooperative Department or the Industries Department continues to be raised from time to time. In the opinion of some cooperators, the Director of

**b) Role of the Directors Industries**  
Industries is the most competent authority to handle this work since the emphasis is on the development of the industry and the cooperative organisation is used only as a means to do so. He has high level technical staff to advise the cooperatives on technical improvements, standardisation and other matters. He is in a better position to help industrial cooperatives in obtaining controlled and imported raw materials, component, parts, machines, etc. and can help in promoting industrial cooperatives as ancillaries to larger industries in the private and public sectors. The plan provisions for development of industrial cooperatives are under the industries head and the funds under the State Aid to Industries Act are subject to the control of the Industries Department which is also in closer touch with the Small Industries Service Institutes, the National Small Industries Corporation and similar other bodies.

157. On the other hand, there are a large number of coeoperators who hold that the Registrar should continue to handle this work since he is better acquainted with extension methods of cooperative organisation

**(c) Role of the Registrar of Cooperative Societies**  
and has knowledge of the basic cooperative principles and the framing of suitable bye-laws. He has a firmer grip of problems that arise out of cooperative functioning and hence can ably nurse the societies and help them develop the cooperative spirit. He is closely in touch with the cooperative banking structure, training institutions and other related sectors of cooperative activity like consumers' cooperatives, which enables him to establish suitable inter-cooperative relationship. He has a tested machinery for audit and arbitration. Moreover, with a widespread organisation, coverage and contact that he has in rural areas he is better fitted to develop cooperatives in dispersed industries.



158. There is a view held in certain quarters that a separate industrial cooperative banking structure be set up so that it may devote adequate attention to their varied and growing needs of industrial cooperatives

(d) Place of industrial Co-operatives in cooperative development

as has been done in more developed countries. On the other hand, there is a strong body of opinion in favour of maintaining the integrity of the cooperative movement, through the Registrar of Cooperative Societies, the cooperative banks and the cooperative unions irrespective of the developments in other countries. It is pointed out by this group that what we are developing in India is an agro-industrial economy and not an industrial economy divorced from the agricultural sector. The view is held that parallel cells may, therefore, be set up in both the Industries and Cooperative departments; the former to ensure that the assistance that can be provided by the Industries department in the form of government loans and grants, special quotas of raw materials, essentiality certificates, government stores purchase orders, technical guidance etc., are made available to the industrial cooperatives and the latter to ensure a proper cooperative development of the cooperative society.

159. While the progress of industrial cooperatives with the exception of the handlooms has, on the whole been slow, it is difficult to attribute success or failure to the particular departmental arrangements.

(e) Balance of advantages

Fairly good progress has been made in some states where industrial cooperatives are in charge of the Registrar of Cooperative Societies as well as in some others where the Director of Industries is in-charge. On the other hand, there are states where very little progress has been made under either of the arrangements. There are some states where the two departments coordinate their work. There are one or two states where the Industries departments instead of giving preferential treatment, have been indifferent in extending to the societies the assistance that they normally offer, because the powers of registration and supervision are with the Registrar. In one or two states where the work has been transferred to the Director of Industries, the Registrars have become indifferent with the result that the cooperative banks feel discouraged to finance industrial cooperatives. All things considered the balance of advantage lies in keeping industrial cooperatives under the control of the Registrar of Cooperative Societies except, it seems, in the case of mechanised type of industries which may be placed under the Director of Industries. It has, however, to be observed that the set-up of the Directorates of Industries is such that the claims of

bigger units receive the prior attention of the department. It also lacks the attitude and atmosphere which is required to nurse and develop a cooperative society. Some officers tend to neglect the weaker units as the time and energy spent on them may not yield readily the results and recognition that they hope to get in the case of bigger units. The success achieved by some of the Departments of Industries in developing industrial co-operatives has been due to a considerable extent, to the personal interest taken by some officers, which may not be sustained by their successors. These inherent shortcomings of the Industries department will have to be safeguarded where it is intended to place industrial cooperatives under its control.

160. While the decision whether the work relating to industrial cooperatives should remain with the Cooperative department or be transferred to the Industries department has to be left to the discretion of the State Government to suit the local needs of

**Coordinated effort necessary.**

cooperatives and the set-up of different administrative departments, we suggest that if the Registrar is in-charge, he should be assisted by a technical officer of the status of a Joint Director of Industries preferably on deputation from the Industries department. Technical assistance and guidance is essential for industrial cooperatives in general. He should obtain the help of the technical staff of the Industries Department with regard to the economics and technical feasibility of the schemes. The State Government should place, at his disposal, necessary funds from out of the Village and Small Industries head, for developing the societies and the Director of Industries should offer them technical guidance, quotas of controlled and imported raw materials and certificates required from him by authorities like the National Small Industries Corporation, the Chief Controller of Imports and Exports, etc. in the same way as he would if they were under his control. If the Director is in-charge, he should be assisted by a Joint Registrar belonging to the cooperative cadre and with previous training and experience in cooperation and his field staff should get the help of the inspectors in the Cooperative department in framing the bye-laws of the society and ensuring that the cooperative banks, cooperative unions and other cooperative institutions offer their unstinted services to develop the society. The authority registering the societies should also have statutory power of inspection which should be done through entirely separate field staff. In other words, if the Director of Industries is in-charge he should have separate field staff available at all levels for inspection and the industrial inspectors should in such cases obtain special training in cooperation. Similarly, if the Registrar of Cooperative Societies is in-charge,

he should earmark some inspectors entirely for industrial work and they should receive special training on the technical side of industries. Promotion, organisation, registration, inspection and liquidation should be the responsibility of the same agency. Audit, arbitration and compilation of statistics should remain with the cooperative department in either case. In respect of societies registered by officers of the Industries department the Registrar may prepare a panel of arbitrators in consultation with the Director of Industries and appoint nominees in consultation with him. For ensuring coordination between the two departments, a two-man committee may be constituted at the secretariat level consisting of the Secretaries of Industries and Cooperation with the senior of the two as chairman. If there is a separate Secretary in-charge of village and small industries, he should also be a member of this committee. The Director of Industries and the Registrar of Cooperative Societies should be invited to the meeting of this committee which should be held once a month.

161. The Reserve Bank of India has now made a study of half a dozen industries with a view to assess their suitability for inclusion in its approved list. These studies underline the lack of proper supervision of the societies. The block level extension officers for industries who are expected to do this work in the community development blocks, do not receive adequate training for it. In the remaining areas this work is mostly entrusted to officers who have many other duties. Since it is the government or the Khadi and Village Industries Commission that is financing a major percentage of the societies, the benefit of visits by the bank inspectors are denied to them. We emphasise that the State Governments should pay special attention to this aspect and appoint an adequate number of supervisors for industrial cooperatives who should not ordinarily be entrusted with any other work. There is a practice in some states to designate the departmental supervisory staff as "supervisors" and that of the bank as "inspectors" and in other states *vice versa*. The status of the officers with their designations also alternate in different states. We are using the term "supervisors" in this report for the departmental staff of the intermediate category and the words "inspectors" for the bank staff. The First Working Group had suggested employment of separate supervisory staff for industrial cooperative work by the state cooperative department generally at the rate of at least one supervisor for every 10 societies. While this would be the target to be achieved when their operations grow to a large extent, the state governments are finding it extremely difficult to appoint supervisors at this rate, nor would the prevailing size of their operations justify the expenditure.

Need for appointment of  
one supervisor for 20  
societies

involved on the staff. We are, therefore, of the opinion that supervisors may be appointed at the average rate of one for every 20 industrial cooperative societies in all states for the next few years.

162. It is noted that very often members of the supervisory and other staff in charge of the industrial cooperative work get transferred to other sectors and are replaced by officers who do not have experience of industrial cooperatives work. This deprives the industrial cooperatives of the experience of supervisors and other officers who have gained intimate knowledge of their working. We are, therefore, of the opinion that the supervisors and other officers put in charge of looking after industrial cooperatives should not be transferred as far as possible for a period of three years.

**Quick transfer of officers  
be avoided**

163. Audit is a statutory duty of the Registrar of Cooperative Societies and this work is being handled by him for the industrial cooperatives also in all states except in Uttar Pradesh where all types of societies are audited by the Finance Department. Arrears of audit of industrial cooperatives, however, are large and are further growing at quite a fast rate. The audit of the industrial cooperative societies is a complicated job since their transactions include credit, supplies, sales and production in the same unit. Some of the Registrars of Cooperative Societies told us that they had to entrust this work to their most competent auditors. The audit staff is to constitute a specialist wing distinct from the administrative staff in the Cooperative Departments. Those of them who are assigned the work of industrial cooperatives, will have to be properly oriented in respect of rectification of defects of this type of societies. While, therefore, the power of audit should remain with the Registrar of Cooperative Societies in all states, we would suggest that a separate group of auditors be trained for industrial cooperative work and be maintained in every state in adequate numbers as a distinct group and a panel of certified auditors should also be drawn up whose services can be utilised to supplement the work of the departmental staff. In states where the Director of Industries is made responsible for all other regulatory functions, he should be associated with the preparation of the programme for the audit of industrial cooperatives. Where there is back-log of audit, it may be cleared as quickly as possible by the appointment of *ad hoc* staff.

**Audit should be the responsibility of the Registrar**

164. The Government of India have advised the states (i) to ensure annual audit of industrial cooperative societies, (ii) to appoint at least one auditor for every twenty industrial societies of average size, (iii) to exempt the new cooperative societies in the industrial sector from payment of audit fees for the first three years after the commencement of business and (iv) to charge the fee in the case of those societies that make profits on the basis of their turnover. We are of the opinion that early action on these suggestions should be taken by the state governments. The Registrar of Cooperatives should be authorised to exempt co-operative societies working at a loss from the whole or part of the levy of audit fees in deserving cases.

165. We recommend that (a) norms may be fixed for the work output of the supervisors and auditors for different types of societies and work load determined on the basis of number and type of societies to be supervised or audited rather than on a territorial basis; and (b) forms for audit reports be studied, suitable forms evolved and uniform standards for audit classification of different types of societies introduced.

166. Although a fairly large number of industrial cooperatives are working satisfactorily, it is a matter of serious concern that, as pointed out in Chapter II, nearly 38% of the societies should have worked in loss during 1960-61 and 23% should have been in a dormant condition showing neither profit nor loss at the end of the year. Even if a liberal allowance is made for societies incurring loss temporarily and some of the societies which were newly registered and which, for one reason or another, did not start work and, therefore, showed neither profit nor loss, a substantial percentage of the total number of societies are either languishing or dormant. Concerted efforts will, therefore, have to be made to examine the position of each of the societies in this group carefully and to see whether they cannot be strengthened and brought to normal working condition.

167. Liquidation, though *prima facie* easy, benefits no one. Creditors among whom is principally government, have greater chances of recovering their dues from working societies than from a society in liquidation. For members, it is even more obvious that a working society can safeguard their share capital and help in carrying on their vocations which a society in liquidation cannot do. To the industrial cooperative movement,

Exemption from audit fees in certain cases

Norms for fixing workload of auditors and supervisors and introduction of improved forms of reports

A substantial percentage of societies has to be re-vitalised

Special training in re-vitalisation work required

large-scale liquidation would give a bad name which would, in its turn, scare away good artisans and workers from cooperative societies. Even from the point of view of expansion, therefore, liquidation should be considered only when all avenues for revitalisation of the societies concerned fail. The unhealthy part of the movement will have to be given at least as much attention as the healthy one; otherwise expansion and development are likely to be jeopardized. In a way, expansion and development are easier to achieve and more attractive and stimulating to workers than revitalisation. Therefore, unless revitalisation is specially emphasised and a regular programme prepared, it is likely to be neglected or altogether ignored. A majority of the administrative personnel of government departments and cooperative organisations concerned have seen expansion and development during the last fifteen years, are not sufficiently conversant with the problems of languishing and dormant societies and do not possess adequate experience of handling them. It would be desirable to orient them in that work so that they would have the correct mental attitude towards such societies and can deal with their problems efficiently. Seminars of three or four days' duration for the field staff of government departments, cooperative institutions and also non-official workers from one or more districts, in which discussions are stimulated and guided by one or two experienced persons would be the most suitable means of achieving the desired results fairly quickly. The subject of revitalisation of languishing and dormant societies should also form an important part of the syllabus of cooperative training colleges, schools and special classes where training in industrial cooperation is imparted.

168. A regular revitalisation programme will require careful examination of the working and position of each individual society at the hands of a competent person. He would prepare a sort of diagnosis report and prescribe remedies, if any. If he is convinced that there is no possibility whatever of bringing the society to normal working condition and that liquidation would save creditors and members from further losses, he would suggest that society should be ordered to be wound up. If, on the other hand, by taking suitable measures some of which may not conform to the existing rules or schemes intended to be applicable to normal societies; the society can be lifted from its present position and enabled to work normally and at profit, he would make detailed suggestions which can be followed up at all levels by the agencies concerned. Such a report should serve as a scheme of revitalisation of the society. This sounds laborious, time-consuming and difficult, but in the case of most of

Revitalisation programme  
requires competent  
handling

the societies it will not be found to be so in practice. Such schemes should be submitted for approval to the officer, the bank or the federation authorised to approve them. The next step would be to divide societies into suitable groups each one consisting of one or a few societies and to assign one group to one worker whose duty, along with his other duties, would be to see that the approved revitalisation scheme is implemented and the society is revived. If there are any difficulties, he would bring them to the notice of the official or non-official next higher to him, who is made responsible for this work. Specific officers at the district and higher levels should be made responsible for seeing that approved revitalisation schemes of industrial cooperative are implemented and whatever action is necessary for that purpose is taken expeditiously and in time. The services of central financing agencies/industrial cooperative banks, federations and prominent non-official leaders of well-managed societies should be fully utilised for the revitalisation work. The latter should be paid out of pocket expenses if they have to tour outside or travel long distance in the same city.

169. It is neither necessary nor possible to deal with the numerous causes that might have led to the deterioration of societies and the measures that would be necessary for their revitalisation. It should suffice if, instead, causes of deterioration and the directions in which remedial action may be necessary are broadly indicated.

170. Some of the societies may require little more than close attention and intelligent and active interest on the part of the workers in charge. These would be the societies which have been left to themselves unaided and unsupervised for a long time and for want of guidance and control have not been able to secure funds or having secured funds, a few office-bearers have taken undue advantage of their position and a substantial portion has been locked up with them; or for want of a competent secretary, necessary papers were not prepared and accounts not written, because of which financing or other agencies found it impossible to deal with them and, therefore, they could not work; or personal funds of a few members might have influenced the society with adverse effect on its working. Removal of an incompetent or dishonest secretary and appointment of a good one in his place and changes in chairmanship and personnel of the managing committee can often be achieved by persuasion on the part of the workers and pressure of local opinion partly created through their conscious efforts. In some cases, resort to arbitration may be necessary and can be arranged by a resolution of

Changes in management  
may help some societies

the managing committee. Once good leadership and sound management are ensured, they create confidence in the financing and other agencies with which the society has to deal and tends to solve its financial and other difficulties, if any. Help of any outside agency or any special treatment may not be necessary in such cases, though the worker would have to continue to be in close contact with the society until it has established its position and acquired momentum.

171. One single important factor which would have effected adversely the working of a large number of industrial cooperatives will be found in lack of institutional finance. What the cooperatives want for working capital is short-term finance repayable within six months or a year and cash-credits and overdrafts which can be operated throughout the year. They should be in a position to get such loans, credits and overdrafts every year according to their needs and credit-worthiness. As owned resources and business improve and they create confidence in the financing institutions they should be able to obtain larger and larger amounts from year to year. This, the government finance cannot and has not been able to do. Whenever this deficiency is found to be at the root of the unsatisfactory position of a society, earnest efforts will have to be made to persuade central financing agencies and industrial cooperative banks to make the necessary funds available to the societies as short-term loans or cash credits. In many cases, it would be found that the financing institutions can satisfy the needs of the societies in the ordinary course of business if they consider their cases with sympathy and realise their own responsibility for financing industrial cooperatives. In some cases, government guarantee will be necessary and efforts should be made to obtain such guarantee. Efforts should also be made to see that all government funds are routed through central financing agencies and industrial cooperative banks. This may not mean any additional expenditure on the part of the government.

172. There will, however, be societies whose revitalisation would require adjustment and relaxation of rules and of patterns of assistance. The following might serve as illustrations :

(1) Managerial grant from government or another agency available to a society during the first three or four years of its existence comes to an end after the prescribed period. Thereafter the society may incur a loss from year to year. If the revitalisation scheme indicates that the society has good chances of working normally and at profit within two or three years provided a managerial grant is given to it for two or three years to enable the



society to secure the services of a good secretary, the existing rules would have to be relaxed and the necessary managerial grants made available to the society. The exact amount of grant may differ from that provided in the rules. Whichever agency gives grants will have to pass general orders authorising its chief executive who may be the Registrar or any one else to relax at his discretion the existing conditions of managerial grants in the case of industrial cooperatives taken up for revitalisation.

(2) The original scheme of a society might have visualised a certain investment of the total finance available to the society in fixed assets such as buildings, machinery, etc. By the time the scheme is put into operation, however, the costs of fixed assets might have risen and a larger portion of the total finance had to be invested in fixed assets, leaving a correspondingly smaller amount available for working capital. The society is, therefore, not able to undertake production or its production falls short of the original estimates, preventing the society from working at all or from working at profit. Sometimes the prices of raw materials rise and the provision made in the original scheme falls short of the requirements of the society which is, therefore, not able to utilise its full production capacity. In some other cases, for reasons beyond the control of the society, it is unable to sell certain finished goods as quickly as was provided in the original scheme. The stock accumulates and locks up an excessive part of the society's working capital, leaving insufficient funds for carrying on the work of the society. In these and similar other cases, the financing agency would be well-advised to consider the difficulty of the society with sympathy and understanding and, if necessary, relax some of its rules regarding financing of the society and make additional funds available and enable it to attain its full production capacity and to work at profit.

(3) There might also be a few cases in which the society's financial condition has so much deteriorated that even if fresh finance were made available, the society is not in a position to pay the whole of the old debt with accrued interest. On the other hand, if the assets are sold, the sale proceeds are likely to be smaller than debts and accrued interest and perhaps even a substantial portion of the principal are likely to be bad debt. And yet, management of the society is good, keen and desirous of revitalising the society. In such a case, the financing agency should consider whether it would not, in its own interest, make

**Additional funds by relaxing rules may help some**

**Remission of a part of the loan and interest may be necessary in some cases**

some fresh finance available and remit part or whole of accrued interest and even part of principal if by doing so, it can reduce its losses and keep the society going. The old loan can also be made repayable in instalments while the new finance is made repayable like ordinary short-term loans or cash credits.

173. In the case of industrial cooperatives, the biggest creditor is government operating directly or through organisations set up by it. Whenever central financing agencies could be persuaded to take active interest in the schemes of revitalisation and make fresh finance available to societies which really need it, Government should, if necessary, give a guarantee for the whole or part of such loans or credits as are considered risky. Some central financing agencies have with much benefit to themselves and the societies concerned made available to the societies such risky finance on their own without any government guarantee because of their close contacts with the societies and their confidence in their management.

**Government guarantee may be required in some cases**

174. If defective technology is the cause of deterioration of a society, the exact defects will have to be identified and it will have to be ascertained as to who is responsible for them. A simple instance would be supply of so-called improved tools and equipment performance of which falls short of what is claimed of them and sometimes is below that of the old tools and equipment. The matter would have to be followed up and at least the society should be freed from the financial responsibility to the suppliers who should be persuaded to take the tools and equipment and supply other sets which conform to specified standards. Help of technicians would be necessary in cases of defective technology and should be secured from the departments or organisations concerned.

**Technical improvements may help**

175. Executive or legal action might help the revitalisation of some of the societies. There may be a society in which present managing committee or one or more members thereof are recalcitrant and coming in the way of its smooth working. On the other hand, there are good members who, if the recalcitrants are removed from power, can themselves or with the help of a few new members, manage the society well. In such cases, if steps are taken for the supersession of the committee or the removal of some of its members, revitalisation of the society can be facilitated. Similarly, if any office-bearer of a society

**Legal action against some members may be required**

has defalcated the society's funds or has otherwise put the society to loss by illegal transactions, misfeasance, etc., proceedings would be useful in helping the society to resume normal working condition.

176. Organisational defects, difficulties in procurement of raw and incidental materials of the required qualities in adequate quantities at the proper time at reasonable prices and of marketability of processed or finished products might also be at the root of deterioration of some of the societies and appropriate correctives will have to be thought of and applied according to the needs of each case.

Raw materials and sales assistance may be necessary

177. Taking into consideration the probable increase in the number of societies after 1960-61, we suggest that 6,000 societies should be revitalized by the end of the Third Five-Year Plan. It will work out roughly at 2,000 societies per year. This is a moderate target. Its fulfilment will, however, involve some additional expenditure on staff, management grants to societies, fresh finance, etc., but such expenditure will be fruitful and fully justified.

Targets for revitalisation

178. Cooperation among cooperatives for production and business activities has, in the past, been confined almost wholly to creation of federations for securing advantages of scale in purchases and sales and in some aspects of production. A fertile field area of which will go on expanding with the increasing growth, development and diversity of the cooperative movement

Necessity to establish inter-cooperative business

has on the other hand remained almost wholly uncultivated. Different classes of societies in the industrial sector and societies in the industrial and other sectors which can cooperate with one another by systematically coordinating their business and production activities to mutual advantage, have been working in their own grooves oblivious of the potentialities of cooperation in this sphere. Few leather workers' societies think of purchasing leather which they require as raw material, from tanners' societies which process hides into leather, and few weavers' and other societies except village industries cooperatives, which require tools and equipment purchase them from carpenters' and smiths' societies or cooperative workshops which manufacture them. On the other hand spinning mills and spinners' societies require cotton which can be purchased from cotton sale societies, and oil-men's societies and paddy husking societies require oil seeds and paddy which can be purchased from the respective marketing

societies; but such purchases are made, if at all, in exceptional cases. Further, cooperatives produce or process consumer goods such as cloth, furniture, soap, oil, sugar, rice, etc., and members of consumers' societies or of village service cooperatives use similar goods; and yet there are no systematic arrangements through which the societies which need consumer goods would and could purchase them from the societies which produce them. These are illustrations indicative of the scope of progress in this new field. The cooperative movement has been developing in many directions and if the possibilities of business and production cooperation among cooperatives are explored, it will yield valuable results. For instance, the number of cooperative sugar factories, spinning mills and other cooperatives in the large, medium and small industries has been increasing. The same is the case with housing societies, etc. The requirements of these cooperatives in the aggregate, for machine parts, furniture, fittings, building materials, cloth, stationery, etc., are large and will become larger and larger with lapse of time. Not only should these cooperatives take advantage of the existing cooperatives producing such requirements, but if a survey reveals that there are no cooperatives which can cater for such requirements, these strong societies can start new auxiliary or co-partnership societies contributing substantial share capital and ensuring the sale of a substantial portion if not the whole of their production. Agricultural service cooperatives at the level of a village or group of villages can evolve similar arrangements with artisanal societies at the same level. Cooperative patronage can also extend to societies such as those for banking, insurance, transport, power, etc. Efforts on these lines are necessary for several reasons. Firstly, such active and effective cooperation would enable the consumer society to obtain goods of the required quality at reasonable prices and would provide an assured custom to the producing society. Secondly, if well-managed and financially strong societies interested in buying the goods of industrial co-operatives came into the picture, they could extend financial help in the form of share capital participation, etc., to new and even some of the old societies in mutual interest and correspondingly reduce governments' responsibility in that regard. Thirdly, various sectors of the cooperative movement and different parts of the same sector would be integrated effectively and there would be a chain reaction bringing into existence more and more new societies and strengthening old ones. Lastly, the objective of extending cooperative coverage to as many economic activities as possible would be served. We, therefore, suggest that the Central and State Governments and the National and State Cooperative Unions fully explore the ways and means of bringing, for business

and production purposes, societies in the same and different sectors together by creating organisational and others contacts between them at various levels, work out details and take steps to disseminate the knowledge of the schemes that may be prepared.

179. It was brought to our notice that the present cooperative law was based mostly on the requirements of agricultural societies and ignored, in some respects, the requirements and interests of industrial cooperatives. We, therefore, got the latest additions to the State Cooperative Acts and Rules namely, the Maharashtra Cooperative Societies Act, 1960, the Maharashtra Cooperative Societies Rules, 1961, and the Gujarat Cooperative Societies Act, 1961 and examined them with a view to ascertaining the exact position in this regard in the two States. There were several provisions which offend against industrial cooperatives. A brief note containing information regarding the impact of some of these provisions on industrial cooperatives is given in Appendix 'H'. Attempts appear to have been made to crowd into the Act even such matters as are not applicable to all types and classes of societies, are non-essential and are intended to cover exceptions, thereby making the Act unnecessarily complicated and creating difficulties for certain classes of societies. We suggest that the Government of Maharashtra and Gujarat examine their cooperative laws from the point of view of the requirements of industrial cooperatives and take the necessary action by exempting them from the relevant provisions of the Act and Rules or by suitably amending them. Maharashtra and Gujarat Governments are amongst the cooperatively advanced states in India and it is not unlikely that some of the other states which desire to revise their cooperative laws, may perhaps inadvertently copy some or all the provisions of the Maharashtra and Gujarat Cooperative Societies Acts which do not meet adequately the requirements of industrial cooperatives. It is possible that the existing Acts of the other states might also have some provisions which operate against the interests of industrial cooperatives, or lack some provisions required by them. We suggest that the States get their respective Cooperative Societies Acts examined in respect of the needs of industrial cooperatives and take note of the defective provisions mentioned in Appendix 'H'.

Some provisions of co-operative law vis-a-vis industrial cooperatives

## CHAPTER IV

### PATTERNS OF GOVERNMENT ASSISTANCE

180. The basic principles of the cooperative movement are self-help, mutual aid and democratic management. On the other hand Governments have, of late, been playing an increasing role in the promotions of the cooperative movement in developing countries. This matter was considered at the meeting of Experts on Cooperation held under the auspices of the International Labour Organisation in December 1962. They recognised that the national plans drawn up for the expansion of the cooperatives and the aid given to them by governments in many developing countries had given great impetus to the cooperative movement and had created new patterns of cooperative development. It was noted that the extensive aid given by governments to cooperatives brought in consequence certain modifications in cooperative principles such as the state partnership in share capital and nomination of a few members on the managing committees of the cooperative societies. The meeting acquiesced in these departures from cooperative practices as a temporary expedient which would strengthen and spread the cooperative movement, but it cautioned against undue reliance on external aid at the cost of inherent initiative and autonomy of the cooperative movement. In regard to the planning of programmes and targets it warned against the danger of sacrificing quality for quantity.

181. The subscribed and paid-up capital of a concern forms the base on which it raises finances from other sources for the development of its business. The position of industrial cooperatives is extremely weak in this regard. The members of the societies in a large number of cases are not only poor but more often than not, heavily indebted to money-lenders, merchants or relatives. With liabilities to clear and meagre assets to offset them, their capacity to contribute to the share capital is distinctly limited but they have the skill to produce and earn provided a fair opportunity is made available to them. Normal methods of (i) payment of initial share capital in instalments, (ii) contributions from out of their earnings towards purchase of additional shares, and (iii) crediting of dividends and bonus to shares accounts have not proved sufficient for collection of adequate share capital partly because of inadequate resources and partly due to lack of appreciation of the principle of self-help. Different schemes have therefore been introduced as a temporary measure to augment the initial capital by state participation in the

share capital of the society and government loans to the members to purchase shares.

182. State Governments have been contributing as a rule to the share capital of the federal type of industrial cooperatives and on an *ad hoc* basis to that of primary cooperatives. A scheme has been introduced for state participation in the small-scale industrial cooperatives up to 50% of the total share capital with a ceiling of Rs. 1 lakh in the form of redeemable non-cumulative preference shares, repayable in not more than eight annual instalments, beginning from the end of the 3rd year of the formation of the cooperative, with a dividend rate not exceeding 5% and with a right to vote and appoint directors and on condition that till the liability of the government is cleared, the ratio of loans raised by the society for fixed capital to the total share capital will not as a rule exceed 2 : 1. Government participation in the share capital of cooperative industrial estates is also on a matching basis, but the shares are made redeemable in five annual instalments beginning from the end of the 16th year of their purchase.

183. Some state governments prefer participation in the share capital of primary industrial cooperative societies to providing share capital loans. The Orissa Government has introduced a scheme called 'Panchayat Samiti Industries' in which shares are held by the panchayat samities and/or the State Government in varying proportion in different industries *e.g.*, the participation by the panchayat samiti in a roofing tile cooperative is 80% (Rs. 12,000 by panchayat samiti and Rs. 3,000 by 30 members, a major portion of the latter in the initial stages being provided by the government as a share capital loan). Maharashtra and Gujarat have schemes for government participation in the share capital of industrial cooperative societies on a matching basis, redeemable in 15 years. The Maharashtra Government has participated in the share capital of 77 industrial cooperatives including the district and regional federations to the extent of Rs. 5.58 lakhs. The Madras Government has participated in the share capital of six primary cooperatives in timber, leather, lock making, steel trunk-making, metal work and rolling mill. West Bengal Government has contributed to the share capital of the mechanised carpentries, the shares being redeemable in 20 equal annual instalments commencing from the 2nd anniversary of the date of subscription and of handicrafts cooperatives in which case the shares are redeemable in 15 years in 10 equal annual instalments commencing immediately after the expiry of the 5th year of subscription. In the case of handloom societies the period of redemption in West Bengal is 13 equal annual instalments

commencing 3 years after the date of subscription. We are of opinion that government assistance to augment the share capital of primary industrial societies should ordinarily be by way of share capital loans to their members; at the same time the present practice of government participation in the share capital of those primary industrial cooperative societies in whose case special circumstance requires this type of assistance on an *ad hoc* basis should be continued.

184. Government assistance in the form of participation in share capital is particularly suited to the federal type of co-operatives whose share capital has to be raised from other cooperative societies who are themselves usually weak. In the absence of such assistance many federations continue to suffer from shortage of funds and are unable to develop their activities to the required capacity. Amongst them the requirements of funds of those that undertake initial, intermediary and final processing are high because of the costly plants, equipment and buildings required by them. The accepted pattern for cooperative spinning mills is for government to subscribe up to 51% of the paid-up capital. No pattern has been evolved for similar other bodies. We recommend that in their case participation by government may normally be on a matching basis.

185. Another group of federal societies is the industrial cooperative banks. While the contributions from the long-term operations fund of the Reserve Bank of India will be available to State Governments to participate in the share capital of those central financing agencies that need additional borrowing power on account of taking up of financing of industrial cooperatives, no such assistance will be available from this source in the case of industrial cooperative banks since the Reserve Bank of India does not encourage their formation. The need for share capital assistance in their case is all the more essential since their clientele is confined largely to industrial cooperatives and small industrialists and thus their sources for tapping funds are strictly limited. The state governments have, therefore, to provide participation funds for these banks from out of their plan allocations. Following the pattern evolved in the former Bombay State, the Gujarat and Maharashtra Governments participate in the shares of the industrial cooperative banks on a matching basis, the shares being redeemable in 15 years. The Madras Government has so far made a subscription of Rs. 10 lakhs with an offer of subsequent subscriptions after the members have subscribed to the capital on a matching basis. In the case of banks in Saurashtra



and Rajasthan the concerned State governments also adopted a similar procedure of making an initial subscription on an *ad hoc* basis. Some of our members, however, are of the opinion that the matching contribution by the government would not be sufficient and the state participation should be in a higher proportion.

186. As far as the service type of federations are concerned, the existing pattern for apex federations in the handloom industry is of government participation up to 51% of the paid-up capital. There are schemes in Maharashtra and Gujarat under which the State governments have participated in the share capital of the district industrial cooperative associations on a matching basis, the shares being redeemable in 15 years. Subscription in the case of the apex federation in Maharashtra was on the basis of 25% of the capital subscribed by the members. Some state governments have participated in the share capital of federations of societies in industries other than handloom on an *ad hoc* basis, e.g. the participation by the Madras Government in the share capital of the State Small Scale Industries Cooperative Society, by the Mysore Government in the State Woollen Weavers' Co-operative Society, by the Punjab Government in that of the State Industrial Cooperative Federation which caters to the industries other than weaving and the Uttar Pradesh Government in the shares of the Uttar Pradesh Industrial Cooperative Association. The federations of this category are responsible for strengthening the operations of the member societies whose main weakness lies in their inability to (i) sell the goods that they produce and (ii) produce the goods that are in demand. One of the main causes for the failure of these federations to discharge their functions is the shortage of funds. We, therefore, recommend share participation by government in their case up to 3 times the amount subscribed by the members.

187. The period of redemption of the government shares has to be long enough to allow societies and federations to build up an adequate redemption fund for which they may require a period of 15 years. We are of the view that redemption of these shares should preferably not commence for 10 years. A further period of extension may be allowed to deserving societies and federations in case special circumstances do not permit them to allow redemption within the prescribed period. Meanwhile the concerned societies and federations may make annual contributions towards a redemption fund or a fixed deposit a/c for the purpose. It is possible that they may not be able to do it entirely from out of their profits. Apart from this, therefore, the responsibility will have to be undertaken by the members who, in the

case of a primary society, should make it a convention to invest about 5% of their earnings in its shares. The societies on the other hand, should, as a convention, invest at least 10% of their additional paid-up capital in the shares of the federation.

188. A word of caution is, however, necessary about the tendency which is sometimes observed to invest a large part of the society's capital in the different federations that it joins. There are instances where some societies have invested the bulk of their owned funds in the shares of the different federations. It needs to be ensured that the society retains at least 50% of its owned funds for its own operations.

189. A new experiment is being tried in the case of primary industrial cooperative societies under which government loans are advanced to their members for the purchase of shares. The extent of the loan is 75% in the case of handloom and powerloom cooperatives. In the case of KVI cooperatives loans up to 7 times with a ceiling of Rs. 87.50 are provided, interest-free, repayable in 5 equal instalments, the first instalment commencing on the anniversary of the drawal of the loan. According to the original SSI pattern introduced in 1955, the Central Government agreed to provide 75% of funds required by a member to purchase shares of a society, the remaining 25% being found either by the state government or the member himself. The loan was repayable in 2 years in equal instalments, for which purpose the members were expected to make contributions out of their monthly earnings. The concessional rate of 2½% interest was charged. This pattern was also made applicable to the handicrafts, coir and sericulture. Different ceilings have been fixed by state governments under this pattern. The committee for the rationalisation of patterns of assistance to small industries set up by the Ministry of Commerce & Industry has recommended that (i) share capital loans may be provided normally to the extent of 75% of the value of the share and up to 90% in special cases on merits, (ii) the concessional rate of 2½% interest may be charged and (iii) the loan be repayable in 2 instalments but the recovery may commence after two years of the date of disbursement of the loan so that there is enough time for the loan to be put to use and for repaying capacity to be built up.

190. In the case of weavers and KVI cooperatives a system has been introduced under which cooperative societies borrow funds from the government or the Khadi and Village Industries Commission and lend the same to the members for enabling them

**Procedure of advancing share capital loans** to take up shares in the society. The responsibility for repayment is placed on the society so that it has to repay the instalment irrespective of recovery from the members. This adds to the liabilities of the society. Since the lending and investing transactions are done by book entries and many societies do not issue share certificates, some members ignore their responsibility to pay. Some societies do not distinguish between this loan and the working capital loan and therefore they do not convert it into share capital. The system advocated in the case of other industries is for the Director of Industries to give a loan to the member through the agency of the society, which undertakes to collect the applications, bonds, receipts, etc. from him and make the required recoveries from his wages or sale proceeds. But the liability to repay the loans remains with the member, who issues a certificate entitling the government to forfeit his shares and transfer them to any other member in case of default or desertion. This system is recommended to be preferred since the member assumes full responsibility for repayment of the loan and is made aware that he is investing the money in the society.

191. While share capital loans are being systematically advanced to members of KVI, handloom and coir cooperatives and specific allocations have been made for this purpose by the states, the position is not satisfactory in the case of societies in other industries. The share capital loans for small-scale industries and handicrafts are expected to be provided from out of the

**Adequate provisions of share capital loans necessary** provisions made in the state budgets under the general sub-head, "Loans under State Aid to Industries Act" under the head "Small Scale Industries". Separate plan provisions for share capital loans have been made in a few states only. In states where no separate provision is made for this purpose it tends to be neglected since the departments normally have a larger demand for loans from individual parties than the provision and show preference to the individual industrialists over the small craftsmen members of a society. In our opinion the amount sanctioned as share capital loans is of greater help to the society than government loans for fixed and working capital. While the share capital loan adds to the borrowing power of the society, the other loans tend to limit that power. Concerted efforts should, therefore, be made by the government to use a larger portion of its provisions for

advancing share capital loans both to existing and prospective members of the societies.

192. Since the cooperative banks do not provide long-term loans for purchases of equipment and the terms and conditions laid down by the state financial corporations

Loans and grants for equipment are very strict, patterns have been evolved to advance them government loans for

this purpose. To facilitate introduction of improved tools and implements by craftsmen and artisans in traditional industries these are augmented by government grants subject to ceilings fixed for different industries. According to the pattern for handloom cooperatives, 50% of the cost of certain types of improved equipment is advanced as a loan and the remaining 50% as a grant. These include preparatory and dyeing equipment, finishing plants, improved tools and accessories, etc. For certain types

(a) Handloom

of costlier equipment 75% loan and 25% grant is provided. Loans equal to 100% of the cost of equipment are advanced to certain types of weaving factories and 100% grant is provided for mobile vans and power-driven vehicles.

193. The pattern for powerloom cooperatives is 100% loan subject to certain ceilings for purchase of

(b) Powerloom

processing plants.

194. Under the KVI pattern 5-year loans are provided for improved equipment for KVI cooperatives, free of interest, repayable in 4 equal annual instalments, the first

(c) KVI Cooperatives

instalment falling due at the end of the second year. Grants are also provided subject to certain ceilings for different types of equipment. The pattern includes 50% loan and 50% grant for khadi production equipment, ambar charkhas and improved equipment for most of the village industries, 66-2/3% loan and 33-1/3% grant for equipment in some industries and 20% grant and 80% loan in a few other industries. Revision of these patterns is under consideration of a sub-committee set up by the Khadi and Village Industries Commission.

195. Under the pattern for small-scale industries, handicrafts, sericulture and coir, loans up to 75% of the cost of equipment are provided, repayable in 10

(d) SSI and other co-operatives

years at a concessional rate of 2½% interest, up to Rs. 2 lakhs and at the normal rate of interest for loans above Rs. 2 lakhs. A subsidy of 25% is provided for improved coir-spinning equipment. Variations have been made in this pattern in some states and ceilings have been

fixed by state governments to suit local conditions, *e.g.*, the Uttar Pradesh Government sanctions grants up to Rs. 6,000 to co-operative societies for improved tools and equipment. The period of repayment in the case of Gujarat is five years for tools and equipment. Maharashtra has fixed a ceiling of Rs. 5,000 on loans for tools and equipment which are issued at 4% interest repayable in eight six monthly equated instalments, the loan being interest-free in the case of backward class societies. In special cases a subsidy up to 50% is allowed. Equipment assistance is also available to industrial co-operative societies under the scheme of the Ministry of Community Development and Cooperation in all states at 50% loan and 50% subsidy.

196. Machines are supplied by the National Small Industries Corporation on a hire-purchase basis to industrial co-operative societies. A 5% reduction is allowed over the normal rates of earnest money (provided the total value of acceptance is more than Rs. 2,000) which is 10% for machinery and 15% for furnaces valued up to Rs. 15,000. The rate is 25% for machinery and 30% for furnaces valued above Rs. 15,000. If the delivery period of the machines exceeds beyond 3 months, the applicant is allowed to deposit half the earnest money initially and the balance amount before delivery of machines. Five per cent of the value of the machines is expected to be deposited in cash provided a bank guarantee for the balance is furnished and is cashable at the time of delivery or the balance is guaranteed by the State Government. The earnest money is treated as the first payment, the balance being payable in half yearly instalments spread over a period of 7 years, the first instalment commencing after one year from the date of delivery. Some state small industries corporations which have been recently set up in different states will also be supplying machines on hire-purchase to small-scale industries units including industrial co-operative societies. The terms and conditions are expected to be similar to those of the National Small Industries Corporation.

197. The pattern of assistance for the construction of weaving sheds, pattern-making factories, experimental weaving centres and housing colonies for weavers is 75% loan and 25% grant and that for finishing plants set up by weavers' societies 50% loan and 50% grant. In the case of buildings for co-operative weaving factories and dye-houses and renovation of housing colonies 100% loan is allowed. The loan becomes repayable in ten equated annual instalments, the first instalment commencing on the first anniversary of the date of drawal. A ceiling of

Scheme for hire-purchase of machines

(a) Handloom and KVI Cooperatives

Rs. 1 lakh per state for the apex societies and Rs. 25,000 per cotton weavers' primary cooperative society has been prescribed for the construction of warehouses. In the case of KVI cooperative 50% loan and 50% grants is available subject to separate ceilings for different industries. The loan for pukka structure is advanced for a period of 10 years, free of interest repayable in 9 equal instalments and that for kucha structures for a period of 5 years free of interest repayable in 4 equal instalments.

198. In the case of those industrial estates whose members are unable to raise the total amount of margin required by the

Life Insurance Corporation, the state financial corporations or other financing agencies, (b) SSI and other co-operatives

a pattern has been evolved under which state governments provide an additional loan repayable in 15 to 20 years, to meet not more than 20% of the total cost of the estate provided that its paid-up capital is not less than 20%. The pattern for godowns constructed by SSI and other industrial co-operatives is 25% grant and 75% loan repayable in 15 years falling due on the 6th anniversary of the date of drawal of the loan. In Gujarat the pattern is 2/3rd loan and 1/3rd subsidy repayable in 20 years at the rate of 3½% interest. The present pattern of assistance for land and buildings for worksheds etc. for SSI and other cooperatives is 75% loan repayable in 10 years. These cooperatives are unable to repay the instalments in time since their profits are too small to allow them to pay such high instalments. We therefore recommend that the period of repayment be raised to 15 years and the first instalment may be made repayable on the 4th anniversary of the disbursement of the loan.

199. There is no special pattern of assistance for building up the reserves of the industrial cooperatives, though *ad hoc* grants are made at times by state governments in

Grants for equipment etc. should be taken to depreciation fund

special cases to allow a society to get out of its financial difficulties. We suggest that industrial cooperatives that receive unconditional grants for equipment and other fixed assets under different programmes should, as a convention, transfer such grants to a depreciation fund.

200. Special patterns have been evolved to make working capital available to those societies which are unable to get accommodation from other sources. Gov-

Working capital loans

ernment loans for working capital used to be provided for handloom schemes up to 31st May, 1957 out of cess funds. These loans were interest-free and were repayable in 10 equal annual instalments commencing from the second anniversary of the date of drawal. Since the

Reserve Bank of India is providing working capital funds for the cotton handloom cooperatives in most states, government loans for this purpose are being provided now only in those few areas where cooperative banks are unable to make use of the Reserve Bank of India's facilities. Government loans are also

(a) Handloom and power loom cooperatives available to silk and woollen weavers' co-operatives up to certain ceilings repayable in 10 equal annual instalments of the principal and interest commencing from the second anniversary of the date of drawal. To the apex marketing societies government loans are admissible for marketing handloom cloth up to 10 times the owned capital minus accumulated losses. These are repayable in 9 equated annual instalments, the first instalment commencing on the second anniversary of the date of drawal and interest-free for the first five years.

201. 100% working capital is provided for powerloom co-operatives as a loan subject to certain ceilings.  
(b) Powerloom co-operatives

202. KVI cooperatives have, by and large, to depend on loans provided by the Khadi & Village Industries Commission for their working capital requirements because no other institution has extended accommodation to them. These loans are subject to ceilings fixed for societies in different industries and for different purposes. They are repayable in 5 years from the date of advance. They are free of interest for the first two years and an interest of 2½% is charged thereafter.  
(c) KVI cooperatives

203. According to the central pattern, loans for working capital are available to cooperative societies in small scale industries, handicrafts, sericulture and coir up to 75% of the value of the security offered, repayable in annual equated instalments in 10 years. A concessional rate of 2½% interest is charged on loans not exceeding Rs. 2 lakhs to a cooperative. The patterns in vogue in the states, however, contain variations made to suit local conditions, e.g. in Gujarat 2 year loans are sanctioned up to Rs. 2 lakhs per society. In Rajasthan loans up to Rs. 1 lakh only are offered. There is a ceiling of Rs. 4,500 per handicraft society in Uttar Pradesh.  
(d) SSI and other Co-operatives

204. According to the present handloom pattern a government grant is offered to meet 100% of the recurring expenses of dye-houses, sales depots, mobile vans and weaving factories for the first year, 75% for the second year, 50% for the third year and 25% for the fourth year subject to ceilings. The grant for  
Managerial grants

finishing plants is 100% of recurring expenditure for one year only. Under the KVI pattern grants are offered for recurring expenditure for the new sales bhandars for the first three years on a sliding scale at varying rates depending on the annual sales of the bhandar. A grant is also available for recurring expenditure to central marketing depots set up by tanning cooperatives for one year subject to ceilings. According to the pattern introduced for SSI cooperatives in 1955, 100% expenditure on supervisory staff including the manager or secretary of the society was sanctioned as a grant by the Government for the 3 years. This was later made applicable to handicrafts and coir cooperatives also. The pattern has recently been revised to provide for supervisory and management expenses to cooperative societies on the basis of 100% for the first year, 75% for the second year, 50% for the 3rd year and 25% for the 4th year. Modified patterns are prevalent in some states, e.g., Kerala Government has a pattern of grants for technical staff and paid secretaries of SSI and handicrafts cooperatives, on a scale of 100% for the first year, 66½% for the second year and 33½% for the third year. Gujarat gives a subsidy of Rs. 600 per society for any 3 of the initial five years. In Maharashtra handicrafts cooperatives get the management grant of Rs. 1,000 per society per year for a period not exceeding three years and societies of backward classes and other industrial cooperative societies Rs. 600 per year for any 3 out of the first five years of the organisation of cooperatives. In Rajasthan managerial subsidy is given at Rs. 200 per month in the first year, 75% of the actual expenditure in the second year and 50% in the 3rd year.

205. The committee on patterns of assistance appointed by the Ministry of Commerce and Industry has recommended that the management grant should be for the salary of a manager, an accountant, a secretary and other clerical staff but not the technical staff such as designer, engineer, salesmen, etc. Some state governments are, however, of the opinion that the society should be subsidised to meet the cost of the technical staff in the initial years. A view is held in the Ministry of Commerce and Industry that the pattern should cover (i) a manager or secretary, (ii) an accountant, (iii) an engineer, designer etc. and (iv) salesmen, when necessary. The cooperative societies generally appoint either a manager or a secretary as full time officer and very few of them require two paid officers of this level. Grant should, therefore, normally be required for either of them only. The services of an accountant are essential since in a very large number of cases, accounts are not being maintained properly in the absence of qualified accountants. The services of an engineer,



foreman, designer or similar other technician, as the case may be, are vital to societies that undertake production. The entire production programme and specially the quality of products depends upon qualified and experienced technicians and in these days of intense competition, it is essential that the products of the industrial cooperatives are of high quality. In the same manner societies require services of experienced salesmen to ensure that their products are sold and stocks do not accumulate. Marketing is their weakest point and inability to sell their products has been the cause of failure of a large number of cooperatives. Societies hesitate to appoint qualified technicians and salesmen out of fear of heavy cost involved. They may, however, be persuaded to do so if the suggestion was backed by a subsidy at least in the initial stages. We recommend that managerial grant from Government to SSI and other cooperatives should cover the cost of (i) a manager or a secretary, (ii) an accountant, (iii) an engineer, designer, or similar other technician, and (iv) a qualified or experienced salesman appointed by the society.

206. While arrangements have been made to meet the requirements of the cooperative industrial estates for investment capital, no pattern has yet been evolved for assisting them in the appointment of qualified managers and technical supervisory staff. The sheds in government owned estates had to be offered at a concessional rate in the initial years but such subsidy is not available to cooperative industrial estates though they also have to incur similar costs. In fact, the cooperative industrial estates have to pay a much higher rate of interest to the Life Insurance Corporation or the state financial corporation than that calculated in the case of government owned estates. Moreover there are states like Gujarat where the cooperatives are expected to pay a charge to the government for technical supervision. While we agree that the cooperative industrial estates should not get any assistance higher than that their members would have received had they occupied government owned estates, it would be desirable to assist the cooperative industrial estates by meeting a portion of their overhead costs on salaries of adequately qualified and experienced persons. It is necessary to ensure that initial losses do not jeopardise their success. Government may, therefore, extend to them a grant on a sliding scale of 100% for the first year, 75% for the second year, 50% for the third year and 25% for the fourth year towards the salary of a manager, an engineer and an accountant. The total incidence of this grant in our view will be lower than the concessions that are available to small industrialists in government owned industrial estates.

Grants for staff of  
cooperative industrial  
estates

207. We note that no pattern has been evolved for grants to assist service federations in the cost of their management and are of the view that the pattern for them should include, in addition to the salaries of the manager, accountant, technical staff, one inspector and a salesman, rent of office accommodation on the basis of 100% for the first year, 75% for the second year, 50% for the third year and 25% for the fourth year.

**Management grants for federations**

208. The difference, subject to a ceiling of 6 nP. between the normal rate charged by a public or private electricity company on supply of electric power to small scale industries including SSI co-operatives and a concessional rate of 9 nP. per unit is provided as a government grant. In the case of power-loom, 75% loan and 25% grant are advanced towards cost of power connection. 100% grant is given for servicing charges, subject to certain ceilings.

**Sales Rebates**

209. Rebates are allowed on sales of handloom cloth subject to the conditions stipulated by the Government of India from time to time, the present rate being 5 nP. in the rupee on retail sales of cloth worth Rs. 2 or more, by weavers' cooperative societies, state owned depots and those consumers' cooperative societies which purchase handloom cloth from weavers' cooperatives and deal exclusively in hand-woven cloth. A special additional rebate of 5 nP. in the rupee is allowed on retail sales for 15 days in a year i.e. on the occasion of the All India Handloom Week and some festivals. A rebate at 3 nP. in the rupee is allowed on wholesales by weavers' societies provided a single transaction is of Rs. 100 or more. A special rebate used to be paid on exports but it has now been withdrawn. A sale subsidy is given to khadi marketing cooperatives at the rate of 1 to 3% on retail sales of varying proportions. An additional 3% subsidy subject to a ceiling of Rs. 1,000 per annum is given on khadi sales on the basis of sales in excess of those in the previous financial year. Rebate on retail sale of reeled silk khadi, pashmina and pashmina mixed with silk and cotton is allowed to consumers at 10 nP. per rupee and on retail sales of all other varieties of khadi and ready-made garments at 19 nP. per rupee. Special rebates are allowed on certain occasions like that of Gandhi Jayanti in October.

210. Government loans up to Rs. 2 lakhs for handicrafts, small scale industries, coir and sericulture are available to industrial cooperative societies at 2½% interest. Concessional rate of A modified pattern has, however, been interest introduced in some states, e.g., the Maharashtra pattern involves payment of 4% interest on government loans for tools and equipment and 4½% interest for godowns and sheds; in Gujarat 3½% interest is charged on loans for construction of godowns. The loan to handloom cooperatives from cess fund used to be free of interest up to 31st May, 1957. Since then the normal rate of interest is charged. KVI loans are interest-free with some exceptions. Bank loans are available to weavers' societies at a concessional rate of 3% interest. The difference between this rate and normal bank rate is being met by government as a grant. A similar scheme for allowing banks to advance loans to other industrial cooperative societies at 2½% interest has been introduced with effect from November, 1960 but has been put into operation in Maharashtra, Punjab and Gujarat only. West Bengal, Rajasthan, Madhya Pradesh and Orissa have made provision for the scheme in the current annual plan. It is still under consideration in other states.

211. Many societies find it difficult to repay the instalments of the term loans raised by them for fixed and working capital, since they do not make adequate profits. Repayment of instalments Moreover, the instalments become due at a time when funds are required by them most for their expanding activities. They could meet the repayment dues conveniently, only if their members agree to make regular periodical contributions from out of their earnings to purchase additional shares, the cumulative total of which should not be less than the amount required to meet the instalment. We recommend that the amounts of such contributions by the members should be determined before the society approaches the government or a financing agency for a term loan.

212. It is expected that funds for development of industrial cooperatives would come from the annual plan allocations for the different industries. Though the state governments have been requested to show the expenditure on industrial cooperatives separately, this has not been done in many states yet. They have not made adequate separate provision either under the Third Plan or under the annual plans that have already been prepared. Expecting the Industries Department to keep the demands of the industrial cooperatives in view and to provide adequate funds for them when the actual demands materialize does not seem to lead

anywhere. The tardy development of the small scale industries and the handicrafts cooperatives is largely due to the fact that requisite allocations are not being made in the state budgets for their development. We recommend that specific allocations should be made for development of industrial cooperatives under each group and also separately for such schemes as apply to more than one industrial group (e.g. loans and grants to banks, associations, training institutions, etc.)

213. Workshop space is provided to industrial cooperative societies along with small industrial units in industrial estates set up by the state governments under their SSI programme in urban as well as rural areas. **Industrial estates managed departmentally** This programme includes charging of concessional rate of rent in certain cases to small industrial units including industrial cooperatives for the initial two years. Many of these estates have by now been very well established. Many small industrialists occupying the workshops are interested in purchasing them. The possibilities of organising their cooperative societies to take over the ownership and management of these estates should be examined and a programme of gradual handing over of the departmentally owned estates to such cooperatives should be prepared in each state.

214. A number of common facility workshops have been set up during the First and Second Five Year Plans to provide the small industrial units and industrial co-operatives such facilities of improved plants and equipment as would not normally be within their reach. **Departmentally run common facility workshops** Many of these workshops have by now fulfilled their role as pilot schemes. These are commercial units which need not continue to be managed departmentally. The possibilities of formation of cooperative societies of those small industrial units which have been regularly making use of the services of these workshops should be considered and a programme prepared of gradually handing them over to such co-operative societies.

215. An industrial service cooperative is granted import licences for raw materials which cannot be obtained from indigenous sources as actual user on behalf of its member units, subject to the essentiality being certified by the Director of Industries and the society giving an undertaking that the imported items will be distributed to its members who will utilise them in the manufacture of goods in their factories and abide by the

terms and conditions of the licence. This includes an undertaking by the society with the application from each member to the effect that goods so released will be used only in his factory and no portion of it will be sold or permitted to be utilised by any other party. Industrial cooperative societies that are producing units receive their licences as actual users and are treated on par with small scale industries and receive the same preferential treatment that is afforded to the latter. An industrial cooperative society for the purpose of grant of licence is defined as any co-operative society in the industrial sector registered under the co-operative societies act including cooperative societies undertaking production and sales activities or service activities and federations of societies.

216. Quotas of controlled raw materials like iron and steel, cement, non-ferrous metal, etc. are allotted to industrial cooperative societies by the Industries Department

**Controlled raw materials** from out of the small scale industries quota.

In some states like Madras and Madhya Pradesh special consideration is extended to the industrial co-operatives in the allotment of quotas so as to meet their reasonable requirements. At the same time there are some officers in the Industries departments of states who tend to favour individual units under the belief that the latter would yield quicker results than cooperatives. A suggestion has been made to us that a separate allocation should be made for the industrial cooperatives specially for the supply of items like iron and steel, non-ferrous metal sheets etc. Such separate quota will put the demands of the cooperative sector into focus, leading to enhanced quotas. Our view is that in circumstances where it is not feasible to meet the full requirements of industrial cooperatives on account of shortage of materials, the authorities concerned should allot at least sufficient quotas to keep them in continued and effective operations without incurring losses. We, therefore, recommend the allocation of separate quotas on these lines for controlled commodities to industrial cooperative societies. We also recommend that these quotas be channelled through apex industrial cooperative institutions.

217. For purchases of government stores the industrial co-operatives are treated on par with the small industrial units by the Central Government and the 15% price preference which is available to the latter is also available to the cooperatives.

**Government stores purchases** Some of the state governments are also giving special price preference to goods produced by industrial cooperatives. In some cases they also relax the specifications of goods supplied by the industrial

cooperatives. In Maharashtra and Gujarat the industrial cooperatives are eligible for 25% price preference over large scale units and 10% over small scale units. West Bengal Government allows 5 to 15% price preference to cottage and small industries but treats industrial cooperatives on par with them. The Rajasthan Government are considering the possibilities of introducing a rate contract system in the case of selected

(a) Existing patterns

items like furniture, cycles, sewing machines, etc. The Kerala Government allows

10% price preference to industrial cooperatives. Madras Government has issued standing orders to state hospitals, medical institutions and other government departments to purchase their requirements of oil, and hand-pounded rice from industrial cooperatives. In Himachal Pradesh 15% preference is allowed to industrial cooperatives over individual parties.

218. It is observed that those state governments that have come to grips with the problems of the industrial cooperative societies have considered it fit to allow industrial cooperative societies a 10% price preference over that allowed to small scale industrial units. In our view it would be necessary for other state governments as well as Central Government to take similar steps in order to make their assistance to industrial cooperatives effective. We recommend that the industrial cooperative societies should be allowed a price preference of not less than 6% as between the quotations of the small scale industrial units, and in the case of the Central Government and those state governments which have not already introduced a more liberal pattern, a 15% preference over the quotations of the large industrial units.

219. A number of state governments have set up sales emporia particularly for handicraft products which patronise goods produced by the handicrafts cooperatives. In some cases, as in Hyderabad, the percentage of the products of industrial cooperatives handled by the emporia is quite high.

220. Special courses in industrial cooperation have been introduced by the Central Government for training departmental officers and the office bearers of the bigger industrial cooperatives. Junior courses are arranged for the staff of the weavers' and KVI cooperatives. The Handicrafts Board organises special training for organisers and salesmen of handicrafts cooperatives. A scheme has been prepared for training junior staff of other cooperatives. The training programme has been entrusted to the Committee for Cooperative Training of the National Cooperative Union of India.

Training

221. Technical assistance is provided to industrial cooperative societies in the weaving industry by eight weavers' service centres and two institutes of handloom technology whose primary job is to act as channel through which handloom units receive designs, technical advice and assistance for the principal loom and base loom production process. In the case of Khadi & Village Industries Commission training is provided by a number of vidyalayas and research is conducted by the Jamnalal Bajaj Central Training Institute at Wardha and several other bodies assisted by the Commission, for example, the Prayog Samiti of the Sarva Seva Sangh, the ATIRA and so on. The Handicrafts Board has organised design centres, pilot centres and training courses for technical development whose advantage is taken by the handicrafts cooperatives. In the small scale industries, the Small Industries Service Institutes with their extension centres and the directorates of industries through their technical officers provide business management, consultation and similar other services.

222. The assistance provided by government under the SSI pattern includes not only that for the cooperative societies but also for units set up in the private sector on a proprietary, partnership or a joint stock basis. Export incentives, import facilities, raw material quotas, government and bank loans, guarantees, technical assistance provided by the Small Industries Service Institutes and other organisations, advice on improved productivity available from the National Productivity Council and results of research by all India and state research institutes are available to all of them without distinction. Assistance from the Handicrafts, Sericulture and Coir Boards is also available to industrial cooperatives as well as to other parties. It would be desirable to consider the possibility of making these facilities available to those processing cooperatives which are placed in a different category because their membership consists of agriculturists and other producers of raw materials or of consumers. They are in any case more democratically organised than the private sector units that receive assistance from government. We are of the opinion that the facilities available to industrial cooperatives should be made available by the Ministry of Commerce and Industry to all types of cooperative processing units.

223. The Central Government has introduced a scheme to bear for the first three years 50% of the salary of one special deputy manager or deputy secretary who might be appointed by a central financing agency solely to look after the work of industrial cooperatives, the balance of 50% being met by the state

Grants for additional staff of cooperative banks

governments. In cases where the salary proposed to be offered exceeds Rs. 500 p.m. prior concurrence of the Government of India is obligatory. Nineteen cooperative banks, (6 in Andhra 3 in Maharashtra, 3 in Madras, 2 in Gujarat and 1 each in Assam, Madhya Pradesh, Orissa, Rajasthan and Delhi) have so far come forward to make appointments of deputy managers under this pattern. A pattern has also been evolved to subsidize the expenditure on additional supervisory staff appointed by central financing agencies on the basis of one inspector per central financing agency and an additional inspector in case a deputy manager or deputy secretary has been appointed and the bank has started financing more than 10 industrial cooperatives. The Government of Maharashtra has issued necessary orders for implementing the pattern. The Delhi State Cooperative Bank has appointed two supervisors solely to look after the work of industrial cooperatives and the Pondicherry State Cooperative Bank has appointed four supervisors. Action is pending in other states.

224. A pattern has been evolved under which Government bears the cost of one cost accountant appointed by each state cooperative bank, whose services might be utilised by the central financing agencies as well as the industrial cooperative societies, 100% cost of his salary being borne by the centre and the state on a 50 : 50 basis, for three years. The Government of Maharashtra has sanctioned the appointment of a cost accountant by the apex bank and the West Bengal Government has made a provision for one cost accountant and one deputy manager to be appointed by the apex bank. The question of introducing the scheme is still under consideration of other state governments.

225. There is another highly important problem concerning certain classes of industrial cooperatives which has evaded solution all these years. They are mainly the societies which use agricultural commodities, such as cotton, oil seeds, paddy, etc. as raw materials. These societies or their members require continuous supply of commodities of good quality in sufficient quantities at reasonable rates throughout the year. Barring about 2 or 3 months of the season, the societies would and should if they could, purchase stocks in such quantities as would last for nine to ten months during the off-season because generally the prices of agricultural commodities are lowest during that period. For various reasons such as advantages of scale, availability of business talent, finance, storage facilities, etc., it would be preferable to get the work of bulk purchase of societies' requirements done through federations at suitable regional levels. The



three main difficulties of federations would be (i) securing suitable directional and managerial personnel, (ii) provision of adequate finance, and (iii) avoiding losses on account of fluctuations of prices of commodities to which the operations of the federations might be confined. In a way all the three are interconnected but whereas some progress has been made and more progress can be made in overcoming the first two, the second difficulty cannot be got over completely unless the third is tackled successfully. Due to the factors like world prices, import-export controls and barter deals by governments, the vagaries of the monsoon, floods, pests, etc., the general rule that prices of agricultural produce are the lowest during the sale season is not invariable; and when it varies, the agency, be it an individual, a firm or a corporate body which made purchases of agricultural commodities has to face a loss. Those that have the sustaining power to suffer temporary setbacks of such an event, make a profit over a number of years.

226. Industrial cooperatives whether federations or primaries can take the net profits accruing to them due to fluctuation of prices, to a separate price fluctuation reserve. If this is done and if heavy fluctuations unfavourable to them do not occur during the early stages of their life, they can build up substantial fluctuation reserves which they can fall back upon. If, however, a cooperative is unfortunate enough to incur a substantial loss on account of price fluctuations in its early years, before sufficient reserves are built up, it faces a crisis. This makes it difficult for it to continue its normal work, much less to make a profit to wipe out its previous losses. The position of the cooperative continues thereafter to deteriorate until it is unable to perform its functions and has to be wound up. Here is a position in which the working or management of a cooperative may be good and yet it cannot function with full vigour and achieve its objective of effecting timely purchases during the season and supplying the commodities required by its members to them from time to time during a period of nine or ten months.

227. By way of a tentative solution of this problem it is suggested that state governments or preferably the Khadi & Village Industries Commission should create a guarantee fund for the benefit of such cooperatives according to the particular needs of each state. The procedure for operating the funds would be that, if and when a cooperative incurs a loss on account of price fluctuations and this loss is in excess of its price fluctuation reserve, the cooperative would be allowed to draw from the guarantee fund an amount equal to the excess amount. The

amount thus drawn would be made good by the cooperative out of future profits including those made on account of price fluctuations. The amount drawn would, however, not be shown in the balance sheet as a liability as it is to be repaid out of future profits. It can, however, be shown as a contingent liability. This would keep its own funds intact for borrowing purposes and the cooperative can carry on its usual business in spite of the loss. The guarantee fund would, in the long run, cause no loss to government/Commission and may probably not be drawn on at all if the cooperative carried on its activities ordinarily for 4 to 5 years without a substantial price fluctuation. The guarantee fund would enable the industrial cooperative using agricultural commodities as raw materials to obtain adequate stocks of raw materials of suitable quality at reasonable prices and yet government would in the long run, have not to bear any loss at all.



## CHAPTER V

### INSTITUTIONAL FINANCE

228. The credit requirements of industrial cooperatives fall into two categories. The first relates to funds required for the purchase of land, construction of work-sheds and godowns and purchase of machines, tools, equipment and similar other items.

Agencies financing industrial cooperatives

This is needed in the form of long and medium term loans. The second is for working capital for purchase of raw materials, payment of wages and other charges, stocking of finished goods and repair and replacement of minor items in plant and equipment. This is in the form of short and medium term loans and revolving credits. Credit facilities are available to industrial cooperatives from government, apex and central cooperative banks, industrial cooperative banks where they exist, the State Bank of India and its subsidiaries, the state financial corporations and the Life Insurance Corporation. Commercial banks have not financed industrial cooperatives to any large extent though there are a few instances where they have done so. The part played by the State Bank of India and its subsidiaries and the state financial corporations has, so far, been limited. Financial assistance from the Reserve Bank of India has been limited to cotton handloom weaving industry. The Life Insurance Corporation has undertaken to finance cooperative industrial estates.

229. Greater dependence of the industrial societies on government funds is a phenomenon indicating government's solicitude for their promotion and the difficult situation in which they are placed for want of institutional finance. Assistance in the form

Demand for extension of RBI facilities

of government loans does not, however, meet adequately the fluctuating requirements of working funds of cooperatives. It is their eligibility and ability to draw institutional finance which in the long run is a measure of their strength. Supported by the Reserve Bank of India, the central financing agencies have started financing the cotton handloom cooperatives more liberally. With their network of branches spread all over the country and a working capital of Rs. 525 crores, they are the most suitable agency that can conveniently accommodate other industrial cooperative societies. They have, however, been hesitant on account of the shortage of funds, greater risk inherent in this category of finance and the lack of trained staff to handle the business of industrial finance. It would be difficult for them to take up this

work, they argue, unless the Reserve Bank of India extends its facilities under Section 17(2) (bb) of the Reserve Bank of India Act.

230. The Reserve Bank of India has studied the position of cooperative societies in the woollen handloom, sericulture, coir, leather, palm-gur and salt industries but Reconsideration of the has not found any of them at a stage of content of Sec. 17 (2) development suitable for inclusion in the (bb) of RBI Act necessary. approved list. The criteria laid down by the Reserve Bank of India for selection of industries are : (a) size of the industry and the extent to which it has passed the promotional stage and can be taken over as a banking risk, (b) the extent to which it may be cooperatively organised, (c) scope and arrangements for the marketing of its products, and (d) adequate assurance about audit and supervision. Section 17(2) (bb) allows the Reserve Bank of India to purchase, sell and rediscount bills of exchange etc. bearing two or more signatures, one of which is to be that of a state cooperative bank or a state financial corporation and the other of a central cooperative bank or a federation of cooperative societies drawn or issued for the purpose of financing the production or marketing activities of cottage and small scale industries approved by the bank. The payment of principal and interest in this regard is to be fully guaranteed by the state government. The facilities under the section have not been extended to state financial corporations for the reason that ordinarily the loans extended by the state financial corporations are of a medium or long-term nature and, therefore, cannot mature within a period of 12 months. For the purpose of this section the Reserve Bank is to approve each industry. However, a majority of our members feel that the approach to industrial cooperatives by selecting individual industries has not been helpful. According to them it has been very difficult for individual industries to satisfy the prescribed criteria on an all India basis. At the same time the responsibility of the Reserve Bank is not to patronise specific categories of industries but to ensure the growth of financial institutions which could cater to the requirements of individual units of different industries in their area. As it is, it would not be necessary to fix separate borrowing limits for each industry. The present limit of accommodation fixed by the Reserve Bank of India for handloom finance is equal to the owned funds of the central financing agencies which are about Rs. 75 crores. This limit should suffice for the time being to accommodate the cotton weavers and other cooperatives also. Accordingly, they feel that rethinking about the specific content and corresponding amendment of the section would be necessary to ensure the assistance of the Reserve Bank of India to enable the cooperative central

financing agencies to extend adequate credit to industrial co-operatives.

231. We find that the Reserve Bank of India is seized of the needs of industrial cooperative societies. It was brought to our notice that the central financing agencies could be encouraged to finance industrial co-operatives if the Reserve Bank could take into consideration the advances of central financing agencies for industrial purposes as part of their legitimate lending programme while fixing their overall limits and thus ensure that adequate funds are available to them to finance their total activities. The Reserve Bank does not directly finance any industry. As explained by the Deputy Governor of the Reserve Bank of India, its role is to render all possible help to the central financing agencies so as to strengthen their overall position for providing working capital to those industrial cooperatives whose organisational, financial and working conditions are satisfactory. The role of the Reserve Bank of India is that of a lender of the last resort. Recognition of the industries under Section 17(2)(bb) of the Reserve Bank of India Act emphasises the relationship between the industries and the financing agencies rather than the relationship of the former with the Reserve Bank of India. If the organisation of individual cooperatives was brought up to the required standards of resources and efficiency acceptable to central financing agencies, the Reserve Bank of India will strengthen the resources of the latter to enable them to meet the requirements of the industrial cooperatives. The central financing agencies exist for the entire cooperative movement in their area of operation. It is their duty to finance both the agricultural and the non-agricultural sectors. The employment of any part of their resources for financing non-agricultural cooperative activity will be regarded by the Reserve Bank of India as a legitimate use of their funds. At the time of assessing the loan programme of a bank and considering its capacity for mobilisation and utilisation of its resources, this would be taken note of. While the Reserve Bank of India would not in all cases be able to advance loans to central financing agencies to enable them to meet the requirements of the non-agricultural sector, any pressure on their resources to finance agriculture arising out of the legitimate use of their funds for industries would be eased by providing adequate funds for agriculture according to current procedure. In this connection many of our members feel that while the procedure contemplated by the Reserve Bank may give the desired result, in the case of central financing agencies that are already oriented to financing industrial cooperatives this kind of indirect incentive may not produce significant results, that direct incentive in the form of specific

limits for financing industrial cooperatives as such would be more efficacious at the present juncture, and that the Reserve Bank may, in any case, be requested in implementing its above declared policy, to evolve a suitable procedure so as to ensure that the accommodation it makes available to central financing agencies does, in point of fact, induce them to use their own resources for financing industrial cooperatives.

232. The accommodation provided by the Reserve Bank of India is in the nature of a credit limit sanctioned to a state cooperative bank on behalf of a central cooperative bank or an apex/regional weavers' society. These limits are for a financial year, *i.e.* from April to March. The credit is expected to be availed of by the borrowing institutions in the manner of revolving credit to facilitate frequent drawals and repayments in keeping with the needs of a more or less continuous process of production and marketing of handloom cloth. The Reserve Bank of India, therefore, expects the applications of the central financing agencies and apex and regional weavers' societies to reach it well in advance of the financial year. Long delays, however, take place in forwarding the applications and the execution of guarantee deeds by the State Governments with the result that credit limits sanctioned to certain banks are not utilised by them for months. Again, credit limits are not available to many of the banks in the first half of the year. To remedy this situation, the State Governments may issue to the Reserve Bank of India a blanket guarantee within which may be accommodated the requirements of individual borrowing institutions recommended by the Registrar of Cooperative Societies. In some of the states where this procedure is being followed, as in Maharashtra and Madras, the arrangement is working satisfactorily. The other states may also adopt a similar procedure.

233. There are certain distinguishing features of industrial cooperatives as distinct from those of the agricultural cooperatives. The central financing agencies which do not have experience of industrial financing have a fear that their overdues may be relatively high on account of this business. Apprehending that this might affect their credit-worthiness with the Reserve Bank of India, they prefer to adopt a conservative attitude towards industrial cooperatives. It will be necessary, therefore, for the Reserve Bank of India to deal with this aspect of industrial finance in a way that would promote the integration of industrial finance with their other business.

Allowance for overdues of industrial cooperatives in fixing limits for central financing agencies

234. Of the total outstanding advances of the central financing agencies of Rs. 216.37 crores on 30-6-1961, those with the industrial cooperative societies amounted to

Few central financing agencies have implemented recommendations of first working group

Rs. 9.64 crores out of which Rs. 7.16 crores were accounted for by outstandings against weavers' societies and spinning mills. Excluding the advances by industrial cooperative banks, outstanding advances

of other central financing agencies come to Rs. 7.76 crores only.

The general impression amongst the industrial cooperatives is that these banks are not sufficiently responsive to their demands because they give first priority to the requirements of agricultural cooperatives which most of them are not in a position to meet in full, they do not have specialised personnel to examine the requirements of industrial credit and they regard industrial loans more risky. The First Working Group on Industrial Cooperatives had suggested that the industrial cooperative societies may be offered suitable representation on the boards of management of the central financing agencies with due regard to their place and importance in the cooperative economy of the district or the region. An industrial sub-committee consisting of the president and 3 or 4 directors including one or two representatives of industrial cooperatives and administrative departments of the State Government (concerned with the industrial cooperatives) may be constituted to deal with all matters relating to industrial cooperatives including the disposal of their loan applications. The sub-committee should act in an advisory and recommendatory capacity; such special staff as is employed for this work may be placed under its control and direction; an annual report may be sent by his sub-committee to the board of the central bank which may be incorporated in the bank's annual report may be sent by this sub-committee to the board make; an annual estimate of probable financial requirements of industrial cooperatives may be made by the central financing agencies in consultation with appropriate government departments in charge of industrial cooperatives in their jurisdiction and a part of their funds be earmarked for these societies. Very few central financing agencies have, however, implemented these recommendations. The Central Government have approved schemes for allowing them additional staff for industrial work and guaranteeing their losses to the extent of 90%. Maharashtra State has already adopted these schemes. They are at different stages of consideration by other State Governments and central financing agencies. Special efforts need to be made

by the departments concerned of the State Governments to overcome the apathetic and leisurely manner in which this matter is dealt with.

235. Systematic efforts need to be made by the apex banks to pay due attention to the financing of industrial cooperatives.

It is necessary that a special wing is created in each apex cooperative bank for this purpose with a separate deputy manager and a cost accountant supported by adequate staff. This wing should work under a special committee for industrial finance composed of the chairman and some directors of the bank connected with industrial cooperatives, the Registrar of Cooperative Societies and the Director of Industries. This committee should avail itself of the services of the Small Industries Service Institutes and other institutes and centres set up under the programmes for different industries. Adequate representation should also be ensured to the industrial cooperatives on the boards of the apex banks.

236. The central financing agencies in all districts, except those which are served by an industrial cooperative bank, should similarly have separate wings for industrial finance with a deputy manager or a deputy secretary or any other special officer of the same rank who should preferably have cost accounting knowledge and who should be supported by an adequate number of the inspectorial and other staff. Separate committees should be set up and representation allowed to industrial cooperatives on their boards by these agencies on the lines suggested by the First Working Group on Industrial Cooperatives.

Steps to be taken by district banks

237. Central financing agencies generally regard the loans to industrial cooperatives to be more risky than the loans to agricultural societies. With a view to providing against this fear and by way of encouragement to them to take up this finance with greater confidence, government should pay to them a grant equivalent to 1% of the average outstanding amounts of loans and credits drawn by production type of industrial cooperatives in the course of any given year. This contribution should be kept in a special bad debt fund to be maintained by the central financing agencies but not to be drawn upon except with the approval of the Registrar. Government should continue to make such payment every year until the special bad debt reserve amounts to 5% of the loans and credits sanctioned by central financing agencies and drawn by societies. Industrial cooperative banks also should be eligible for this assistance.

Creation of a bad debt fund



238. It was the Cooperative Planning Committee which envisaged for the first time, in 1946, the desirability of setting up of cooperative industrial banks. In 1948, the Bombay Provincial Cooperative Conference favoured the organisation of a provincial industrial cooperative bank but the idea was not pursued. Instead, 3 districts and one regional industrial cooperative banks were set up in the former Bombay State. In 1958, the first Working Group on Industrial Cooperatives recommended the setting up of industrial cooperative banks in places where the needs of the industrial societies could not be adequately met by the existing financing agencies and where the new banks had prospects of attracting deposits. They laid down guide lines in this connection. This view was accepted by the Government of India. The report of the Japanese Team on Small Scale Industries recommended, in 1959, the formation of an industrial bank at the national level to finance industrial societies but the above recommendation was not considered workable in practice and was not, therefore, accepted.

**Recommendations of different committees for establishment of industrial cooperative banks**

239. The total number of industrial cooperative banks in the country is 11. The first to come into the field were one regional industrial cooperative bank, namely, the Southern Gujarat Industrial Cooperative Bank with Surat as its headquarters and the Sholapur, Bijapur and Belgaum district industrial cooperative banks which were registered in 1949. Two more district banks were registered later, one for the Dharwar district in 1954 and the other for Baroda in 1956. All the districts covered by the six banks were districts of the old Bombay State now divided among the States of Gujarat, Maharashtra and Mysore. These banks are in a class by themselves. In the year 1953-54 the former Mysore State set up the Mysore Central Cooperative Rural Industrial Financing Bank, at the state level, with a view to facilitating the implementation of its rural industrialisation scheme. This bank serves taluka societies which finance individuals engaged in rural industries and urban industrial banks etc. In 1956, the Saurashtra Small Industries Cooperative Bank was established to finance the newly set up urban cooperative banks, the industrial cooperative societies and individuals. These two industrial cooperative banks in Mysore and Saurashtra can be considered broadly to form another class. Although after the merger of Saurashtra in the former Bombay State, the Saurashtra Small Industries Cooperative Bank was approved as a regional bank, it continues, in some respects, to be different from other regional and district industrial cooperative banks of the former

**Growth of industrial cooperative banks**

Bombay State. The Uttar Pradesh, Rajasthan and Madras industrial cooperative banks, with the respective states as their area of operation, were registered in the year 1955, 1960-61 and 1962 respectively. These banks fall in another distinct class.

240. These banks, with the exception of those in Rajasthan and Mysore, are of the mixed type in so far as their membership consists of cooperatives and individuals and they can finance industrial cooperatives, artisans and others carrying on or engaged in small industries. The bye-laws of the Madras State Industrial Cooperative Bank allow membership to joint stock companies also. While most of the industrial societies in the area of operation of regional and district banks have become their members, the percentage of societies affiliated to state level banks is comparatively small.

241. The six district industrial cooperative banks have shown varying degrees of progress in all important respects namely membership, working capital, share capital, deposits and advances. On 30th June, 1961, their working capital was Rs. 165.70 lakhs, paid up capital Rs. 20.34 lakhs, deposits Rs. 70.52 lakhs, advances to cooperative societies and other members Rs. 83.05 lakhs and overdues Rs. 5.90 lakhs. Among these banks those of Surat and Sholapur have shown good progress. The position of the banks in Baroda and Bijapur may also be regarded as satisfactory although their progress is rather slow. Belgaum and Dharwar are comparatively weak banks with high overdues.

242. There are some important similarities between the Mysore Central Cooperative Rural Industries Financing Bank and the Saurashtra Small Industries Cooperative Bank. Both primarily worked as apex bodies for societies which financed individuals for their industrial needs and both are faced with the problems of overdues. Both have depended heavily on government funds and their main business was to act as an agency for channeling loans provided by government under various schemes. Their working capital was Rs. 141.78 lakhs, paid up capital Rs. 62.64 lakhs and deposits Rs. 10.95 lakhs and outstanding loans to cooperatives and other members Rs. 112.43 lakhs. The overdues in the case of the bank in Saurashtra constituted 15% of the outstanding loans on 30-6-1962 and in the case of Mysore 54%. Both these banks have not shown any appreciable progress of late.

243. The Mysore Central Cooperative Rural Industrial Financing Bank has been more a financing and development agency than a bank as it is understood generally.

The Mysore Central co-operative Rural Industrial Financing Bank

It does not accept deposits from the public and has none. We understand that the State Government has a plan of establishing district industrial cooperative banks in each district and to convert this bank into an apex industrial cooperative bank which may open branches in those districts in which separate district banks are not organised. It is not yet decided whether the present urban banks and taluka societies will be affiliated to the proposed district industrial banks or whether they would be merged in the banks. It would be desirable to make careful preliminary enquiries in each of the districts concerned regarding the scope of work, possibility of raising substantial share capital, availability of competent personnel, etc. and to decide whether a separate industrial bank should be thought of. It would not be advisable to organise new industrial banks and allow them to languish for lack of resources required for provision of credit, employment of qualified and competent staff etc. Besides having a strong share capital base, a real apex industrial cooperative bank has to attract and accept deposits from the public, do all kinds of banking business, be circumspect in sanctioning of loans, supervise affiliated cooperative organisations and be strict in timely recovery of loans. The Mysore Central Cooperative Rural Industrial Financing Bank has not in the past fulfilled these criteria and it is doubtful whether it will do so in future. For these and other reasons it would be desirable not to disturb the present position of the Mysore State Cooperative Bank as the apex bank for the industrial co-operative sector also. The Mysore Central Cooperative Rural Industrial Financing Bank may be oriented in banking practices and the methods of work of a regional industrial cooperative bank. It should have a trained and competent staff at the head-quarters and in the field, convert itself into a regional bank and confine its activities to a compact area in which it can work intensively for promotion and development of cottage and small scale industries. It may, at the same time, continue to deal with the affiliated taluka societies and urban banks in the State until they can be affiliated to appropriate central financing agencies including district industrial cooperative banks wherever they exist.

244. The Uttar Pradesh Industrial Cooperative Bank has the Director of Industries as its chairman and the Deputy Registrar of Industrial Cooperatives as the chief executive. It has three branches. Out of a total

The U.P. Industrial Co-operative Bank

working capital of about Rs. 1.50 crores, the bank's balances with banks and investments amounted to over

Rs. 95 lakhs. A major part of its working capital consists of deposits in the form of cess fund and initial share capital collected from societies for organisation of a cooperative spinning mill. Its outstandings on account of cash credits and loans were about Rs. 31 lakhs. It has made very limited finance available to individuals and societies other than weavers' and in that finance it has not fared well. Although the extent of finance is less than Rs. 2 lakhs, the likely bad or doubtful debts form a major portion, about two-thirds, of that finance. It will be advisable for the bank to confine its activities to two or three districts. As weavers' and other industrial cooperatives from the whole state are members of the bank, such an arrangement will deprive many member societies of the benefits which they expect from its membership. But if weavers' societies are financed by central financing agencies out of the funds made available by the Reserve Bank through the apex bank of the state they would be better off than they are now and some of the shares held by them in the industrial bank could be transferred to the central financing agencies. As for the other societies, attempts may be made to persuade the central financing agencies to finance them. In any case, they are not at present being financed by the industrial bank and their position would not, therefore, be worse. Some of the shares of such societies in the industrial bank could also be transferred to central financing agencies. The bank has recently employed a retired officer of the State Bank of India as its manager and at our instance sent him and the Deputy Registrar of Industrial Cooperatives to visit the regional bank at Surat and the district bank at Sholapur. Whatever they saw and learnt at Surat and Sholapur should be utilised early for reorienting the working of the bank.

245. A noteworthy feature about the Madras State Industrial Cooperative Bank is the determination of the authorities concerned to spare no efforts in creating conditions necessary for its success. In order to enable the bank to obtain deposits from the public, the State Government propose to guarantee both the principal and interest of deposits placed with bank. It has promised to contribute 51% of the bank's authorised share capital of Rs. 30 lakhs and the amount actually paid is Rs. 10 lakhs. The amount collected as share capital from societies and individuals is Rs. 7.00 lakhs. The bank has arranged to service the affiliated societies and individual members in the matter of disbursement and repayment of loans, remittance of funds etc., through the branches of the State Bank of India. That these servicing arrangements could not be made with the existing central financing agencies although they are quite sound and efficient in Madras, is, in our opinion, an indication of the prevailing lack

The Madras Industrial  
Cooperative Bank

of coordination and understanding between the two sets of co-operative financing institutions. It is to be hoped that with the passage of time they will find ways of working together which is in the true interests of both of them and the cooperative movement as a whole. Its board has been nominated by government for a period of two years and may be extended up to twelve years. It is expected to finance, for the present, only those industrial cooperatives which are in the charge of the Director of Industries, that is, societies in industries other than handloom, khadi and village industries which are expected to be financed by the existing central financing agencies. The applications of the prospective borrowers are, for the present, to be processed by the local Assistant Directors of Industries and to be recommended by the Joint Registrar of Industrial Cooperatives. The bank has taken as its chief executive a retired officer of the State Bank of India. It started work only about two months ago and has already sanctioned twenty-one loans. It proposes to open three branches.

246. The Rajasthan Industrial Cooperative Bank has opened its office only a few months ago but has not yet commenced the business of receiving deposits or sanctioning loans nor do we see any prospects of its doing so.

247. The Deputy Governor of the Reserve Bank of India stated to us that he was not in favour of organising separate central financing institutions for providing current finance to industries. If, however, any such institution had already been set up and its working was satisfactory, the Reserve Bank would not deny to it such assistance as was available to a normal financing institution. He further indicated that during the next few years, the demand for separate industrial cooperative banks would disappear with the growth of industrial financing by the central financing agencies that the Reserve Bank of India and other agencies interested in this work seek to promote.

248. During the period of 5 years that has elapsed since the first Working Group submitted its report we find that the central financing agencies and other authorities concerned in implementing the various measures to be taken by them have been slow in taking necessary action. The overall attitude of central financing agencies is halting and the quantum of their loans to industrial cooperatives too small as compared to their resources. The district industrial cooperative banks

have, by and large, continued to serve both industrial co-operatives and individual small industrialists with varying degrees of success. Among the banks with the entire state as their area of operation, one has not commenced business, another has not functioned as a bank, the third has just commenced its operations and the progress of the fourth is not satisfactory. It will be seen from the above paragraphs that the problem of financing industrial cooperative societies brooks no delay. A theoretically correct approach alone is not sufficient. There should be a sizable impact within a measurable time and urgent and concentrated efforts need to be made to strengthen institutional finance for industrial cooperatives. The main line of action, according to us, would be to mobilise fully the widespread net work of the existing central financing agencies for this purpose. We would suggest that a definite number, say 20% of the central financing agencies, should be persuaded to adopt all the measures suggested by the First Working Group on Industrial Cooperatives, every year. Sustained efforts will have to be made by the state governments and the Reserve Bank of India in this direction and a specific programme with targets indicating the central financing agencies and the amounts they would be expected to invest in industrial finance will have to be prepared and implemented. In our opinion the central financing agencies should be able to provide additional credit to industrial co-operatives to the extent of Rs. 15 crores in the last year of the Third Plan. As it is the responsibility of central financing agencies to finance all types of cooperatives, as their working capital is in the neighbourhood of Rs. 535 crores and as the Reserve Bank of India has agreed to make a corresponding larger allocation of finance for agricultural credit if central financing agencies use some of their own funds for industrial finance, it should not be difficult for them to spare additional funds of Rs. 15 crores for industrial cooperatives during the last years of the Third Five Year Plan.

249. Simultaneously in our opinion, new district industrial cooperative banks may be organised where there is considerable concentration of small industrial units organised cooperatively or otherwise, there are fair prospects of their ability to raise deposits and the credit needs of the industrial cooperatives cannot be met adequately by the existing central financing agencies. The representative of the Reserve Bank of India and another member, however, prefer to commend the approach described in para 247 above. On the other hand two members are strongly in favour of having a definite programme and specific targets for organising separate industrial cooperative banks in all the states so that each of them has at least one such bank.

250. A district industrial cooperative bank should be registered after a minimum of Rs. 1.5 lakhs has been collected as initial share capital and an assurance to Government assistance to industrial cooperative banks collect Rs. 1.0 lakh more in the course of the next two years is forthcoming. Government should contribute equity share capital on a matching basis equal to the paid-up share capital otherwise collected by the bank. There should be no objection if government nominates the first board of directors for a period of two years but the official members of the board should not be more than three and the rest of the directors should be drawn from representatives of industrial cooperatives, small scale industrialists and sympathisers of good standing who are conversant with banking and business practices. Exclusive of the officials, the representatives of industrial cooperatives on the board should be in a majority. It would be desirable for the banks to use the bye-laws of the Southern Gujarat Industrial Cooperative Bank or the Sholapur District Industrial Cooperative Bank as a model with such modifications as may be required to suit local circumstances. Subsidies should be given to the banks under the staff subsidy scheme. They should be used as agency for routing government funds to industrial cooperatives and to small industrialists. Care will have to be taken to initiate the necessary measures for appointment of trained staff etc. It would be a great advantage if important members of the administrative and inspectorial staff are allowed an opportunity at government cost to visit the industrial banks at Surat and Sholapur and spend at least ten days at each place studying the working of the banks at headquarters and at branches and accompanying inspectors on their inspection tours.

251. The position in regard to deposits has changed somewhat radically of late on account of the deposit insurance scheme introduced for joint stock banks. Unless a similar scheme is also devised for industrial cooperative banks, it would not be fair to expect the new banks to attract substantial deposits. The subject is understood to be engaging the attention of all concerned for all cooperative banks. We assume that the insurance scheme that thus emerge, will be applicable to the Industrial Cooperative Banks as well.

252. It should be made clear that industrial cooperative banks are not coming into the cooperative field as rivals but as a complement to the central financing agencies. All these institutions should cooperate with one another so as to augment the overall resources of the cooperative banks and their capacity to cater to industrial finance.

253. In making available its funds for weavers finance the Reserve Bank of India is applying the same formula regarding limitation of accommodation up to owned funds in the case of both industrial cooperative banks and central financing agencies. But the formula which was evolved in view of other limits allowed to the normal central financing agencies becomes distinctly restrictive in its application to industrial cooperative banks who have no other limits. We have to suggest that the Reserve Bank may consider allowing accommodation up to a higher multiple of owned funds in regard to these banks.

Revision of RBI formula for handloom finance may become necessary

254. The urban cooperative banks ordinarily deposit their surplus funds with central financing agencies. This is one source which could be drawn upon by the industrial cooperative banks to increase their deposits. They should be allowed to attract the surplus funds of those urban cooperative banks which do not enjoy credit facilities from the other central financing agencies and which are engaged largely in industrial finance.

Industrial cooperative banks should attract urban banks deposits

255. Government loans are being routed through cooperative banks in Bihar, Gujarat, Maharashtra and Mysore. The loans are advanced on the government terms and conditions and the Central and State Governments bear the risk of losses in the proportion of 2/3 and 1/3. The banks act as agents of the government and do not bear the responsibility for losses. They are, therefore, allowed a commission up to 2% only for administrative expenses. They undertake preliminary enquiry, disbursement, inspection and recovery work. In Gujarat and Maharashtra where these funds are treated as loans to the banks, the sanctioning authority vests in the banks. In Mysore it vests with the State Government who have delegated this power, subject to certain limits, to the officers of the Industries Department. The Government of India has agreed to the routing of Khadi & Village Industries Commission loans through the apex and central cooperative banks in Maharashtra, Andhra Pradesh and Madras. In Punjab, the State Khadi & Village Industries Board deposits, in some cases the loans sanctioned to cooperative societies in the central banks who disburse them according to prescribed terms and conditions. Loans in other states are sanctioned and disbursed departmentally and are not routed through cooperative banks.

Routing of government loans through cooperative banks



256. State governments other than those referred to above advance loans directly to the industrial cooperative societies.

This involves certain handicaps. One of them is the inability of the cooperatives to borrow institutional funds as the government keeps a floating charge on the total assets of the society. Moreover, these funds are advanced 'en bloc', irrespective of the immediate requirements of the society. The advances may be delayed and are not made available when needed or they may be available too early and remain unused till it starts functioning. Government supervision over the utilisation of these loans is not comparable to that of the banks which have the expertise for judging the business ability of the cooperative as well as of locating the weak points in management and proper utilisation of the loan. Government cannot function as a bank and its operations cannot have the flexibility and the efficiency that a banking agency can exercise in such transactions. In some states a system has been introduced of drawing the loans from the government treasury, depositing it in a bank and allowing the society to withdraw it under the second signature of a government officer. All this puts the society to considerable inconvenience. The officer may not be available to sign the cheque when the money is required and important transactions may suffer because of the procedural delay. We learn that the Government of Andhra Pradesh has been considering the possibility of routing the loans through 'panchayat samitis'. The latter do not have either the machinery or the facilities to operate as banking institutions nor are they constituted to carry out such functions. We are of the view that government funds could be utilised in a more business like manner if they were placed at the disposal of the cooperative banks for channelling them to the beneficiary societies. Government and KVI loans should, therefore, be routed through central financing agencies and not through 'panchayat samitis'.

257. One of the reasons put forward by the cooperative banks in different states for their failure to finance industrial cooperative societies is the shortage of funds. In

Government loans to  
banks for financing in-  
dustrial cooperatives

the case of weavers' societies, however, it has been possible for them to use their own funds in an increasing proportion because they have the assurance of falling back on the Reserve Bank of India for such accommodation as they may require at any particular time. A similar assurance in the case of other societies would enable these banks to use their own funds substantially more than the amount assured to them or drawn by them. The Reserve Bank of India funds are made available to apex banks against a 100% guarantee

for repayment of the principal and the interest by the state government. These are again secured at the district level by a 90% government guarantee to central financing agencies against failure of societies to repay. As far as the apex bank is concerned, it has to accept full responsibility for repayment since the funds are advanced by the Reserve Bank of India as a loan to it. This system could be followed for the benefit of societies in other industries by making government loans available to the apex banks in place of the Reserve Bank of India loans, with certain modifications.

258. Government loans may be made repayable by the banks in ten years, in 5 equal annual instalments, the first instalment falling due on the sixth anniversary of the drawal of the loan. As far as the industrial cooperatives are concerned, this should be advanced on a short term or medium term basis, as the case may be, on usual banking terms and conditions. The quantum of the funds to be advanced to an apex bank may be determined on the basis of the estimated requirements during the year. The funds may be placed at the disposal of the central cooperative banks by apex banks and the former may continue to receive the same 90% guarantee and may thus bear no more than the same 10% risk. This system will enable the central financing agencies to advance larger funds from out of their own resources to societies in industries other than handloom. As these instalments are repaid, it is expected that the cooperative banks would replace them by further advances from their own funds. Funds may be advanced to the apex banks at a rate of interest equivalent to the Reserve Bank of India rate, namely, 4½% and the banks may be paid a subsidy by government to meet their overhead expenditure at the rates suggested by us in para 260.

259. Government loans are advanced at different concessional rates of interest which vary from no interest for the first few years in the case of KVI loans to 2½% subject to ceilings in the case of small scale and some other industries and 3% in that of weavers. Similar concessions have been extended to cooperative bank loans to weavers' small scale industries and other industrial cooperatives in which case the difference between the bank rate and the concessional rate is met by government as a subsidy. The SSI scheme is a corollary to the scheme for concessional rate of interest in favour of individual small units who are charged 3% interest on loans advanced up to Rs. 25,000 (formerly it used to be Rs. 50,000) and 4½% to 5½% for larger loans by the state government. Though subsidies are made available to the handloom and KVI cooperatives in different forms, this is the main

Terms and conditions of government loans to banks

Concessional rate of interest

subsidy offered to SSI and handicrafts cooperatives. This scheme was introduced in 1955 as a part of the programme for the development of SSI and industrial cooperatives. It was necessary in the initial stages to give a stimulus to the programme and has served its purpose. Its incidence on the public exchequer has been modest so far, as the number and volume of business of the beneficiary units, though growing, are not very large. We are, however, proposing a programme of raising the working capital of industrial cooperatives alone to Rs. 120 crores by the end of the Third Plan and to Rs. 250 crores by the end of the Fourth Plan. These magnitudes of operations require reconsideration of the concept of concessional rate of interest. We are making recommendations not only to make available to the industrial cooperatives and the individual craftsmen and industrialists, larger government funds but also to supplement them by institutional funds from the central financing agencies, the State Bank of India, the state financial corporations and other sources on a magnitude that would not allow government to continue to subsidise the rate of interest to the same extent. We are also recommending two schemes of government loans to central financing agencies and urban cooperative banks for financing industrial cooperatives and small industrialists. Moreover, the bank's rates of interest have recently gone up and the difference between the government rates and the prevailing bank rates has widened further. We feel that a heavily subsidised rate of interest inhibits the growth of the volume of finance and that it may be more advantageous for societies to get their financial requirements in full at a reasonable rate of interest rather than inadequate funds at subsidised rates. It may, therefore, be examined whether the concessions offered in the rate of interest to small industrialists could not be curtailed or even given up. In the latter case similar curtailment could be effected for industrial cooperative societies and the savings on both accounts utilised for a larger number of and more urgent schemes for the development of industrial cooperatives. All these aspects need careful consideration.

260. Our view is that ordinarily at the point of production, the rate of interest to be charged to a small industrialist or an industrial cooperative society should be somewhat favourable but not higher than what the medium and large scale industries have to pay. It would be desirable to rationalise the rates in such a way that they are uniform for the same purpose irrespective of the source of funds, that is, whether the funds come from government or are raised by cooperative banks from the public. Ordinarily the rate of interest to be charged to an industrial cooperative should not be less than the Reserve Bank rate *i.e.* 4½%.

Suggestion for revision  
of rates of interest

The rate of interest in the case of corresponding individual units would be somewhat higher than this. It may be necessary to charge lower rate to groups of societies that are organised with socio-economic considerations and require a longer period of promotional assistance. This may also be necessary in the case of conversion of rebates into a consolidated concession in the form of reduced rates of interest. We are also of the view that the rate to be charged to an individual small industrialist may reasonably be placed at 2% higher than that charged to an industrial cooperative in the same category of industries. The rate of interest on government loans to them would accordingly be 6½% which will be on 'par' with the rate charged by the State Bank of India under its liberalised scheme for financing small industries. The State should, however, give adequate grants to the financial institutions to cover their overhead costs and also an element of risk of losses so as to enable them to advance loans at the prescribed reasonable rate of interest. This grant would be at the rate of 3 to 3½% on the average of daily balances of advances of the central financing agencies to industrial cooperative societies and urban cooperative banks for industrial purposes. For the sake of convenience and easy calculation, however, an alternative arrangement would be to give them a grant at the prescribed rate on the advances outstanding on a date to be agreed upon between the apex bank and the State Government. The rate of grant for the overhead may be correspondingly reduced if a higher rate of interest is prescribed by government in favour of particular classes of industrial cooperatives. Conversely the grant may be increased in case a lower rate is prescribed. On loans advanced by the industrial cooperative banks and district cooperative banks to individual small industrialists and craftsmen directly, the grant would be 1 to 1½%. In making the above recommendation of giving a grant of 3 to 3½% on industrial advances to cover the overhead expenditure of cooperative banks, we have taken into consideration the margin of 3½% available to the central financing agencies in the case of loans to weavers' cooperatives on funds made available to them by the Reserve Bank of India and 3% in other cases. We have not had the time to examine in detail the actual cost of overhead expenditure incurred by the co-operative banks or government departments on industrial loans. The Committee on Takavi loans and Co-operative Credit, however, recently examined the administrative cost incurred by government on takavi loans and came to the conclusion that 'the expenditure incurred by government either directly or indirectly on the processing of takavi loan applications and on effecting recoveries may be of the order of 3.5 to 4% of the total advances.' This does not include losses on

account of bad debts. We have also to observe that the overhead expenditure on staff and other items in the administration of loans has gone up in recent years. Except in States where the central financing agencies are well developed and have a large turnover, we have to suggest that the grant for overhead expenditure may be fixed so as to allow the apex and the district central banks to have a total margin of  $3\frac{1}{2}\%$  between the borrowing rate of the apex bank and the ultimate lending rate to industrial co-operatives.

261. As stated earlier, a scheme has been introduced by the government of India for guaranteeing loans by approved banks to small industries including those industrial Credit guarantee scheme cooperatives that come within the definition of small industries. It is operated through the Reserve Bank of India. The apex cooperative banks have been accepted as approved credit institutions under it. Other co-operative banks could also get their loans guaranteed provided the apex banks or any other approved credit institutions participate in the loan to the extent of 25% either directly or by guaranteeing it. The scheme has an element of a 100% guarantee of the first fixed percentage of the advance and 50% of the remaining, loans up to any amount could be guaranteed but the ceiling of the amount of guarantee is rupees one lakh. The guaranteed amount is payable on declaration of default. Only 3 cooperative banks have taken advantage of it so far.

262. Another scheme has been introduced for guaranteeing loans advanced by central financing agencies to industrial cooperative societies, the Central Government guaranteeing 50% of the loss provided the State Government guarantees another 40%. The guaranteed amount is payable on declaration of default. The scheme has to be executed through State Government officers. It has been implemented in Maharashtra. Gujarat and Kerala have introduced the scheme with some modifications regarding the authority to issue the guarantee and to make payments on default. The Government of Madhya Pradesh and Madras and the Administrations of Delhi and Manipur have accepted the scheme in principle but no guarantee has issued yet. It is under consideration in other states.

263. It would be desirable to consider the relative merits of the 90% guarantee scheme and the credit guarantee scheme since the question is raised whether the former need be continued in view of the latter having been placed on a permanent footing and extended to the whole country and whether a 100% guarantee is necessary for khadi and village industries and any other industry.

The guarantee cover *viz.* 90% under the first scheme is larger than that in the other scheme, where it is between 52½% and 60% but a certain percentage of the losses is guaranteed fully. In the case of marginal defaults, therefore, the latter scheme is preferable but in the case of heavy losses the former may be more suitable.

264. The first scheme is operated through cooperative officers who are known to the societies as well as to the central financing agencies. They are familiar with their working, their strong points and weaknesses and are inclined to take a liberal view of the requirements of both. They generally allow the banks to take calculated risks in order to assist industrial cooperatives. The risk of losses is greater in the case of a society in the initial stages of its development or rehabilitation. The 90% guarantee scheme would, it seems, be more advantageous to a bank in such cases. Moreover, this scheme is applicable to all types of industrial cooperatives including service type of cooperatives.

265. The other scheme is operated through the Industrial Finance Department of the Reserve Bank of India. It expects the industrial cooperatives, to exhibit the same standard of efficiency, experience, and financial viability as in the case of joint stock business and finance. Cooperatives find it difficult to satisfy this test. It is to be noted in this connection that small industries particularly in the cooperative sector call for an attitude of sympathy and positive helpfulness on the part of the officers dealing with their applications. In the absence of such an approach, applications from industrial cooperatives which, considering the potentialities and objects of the society would be worth taking a calculated risk, are apt to be rejected. This aspect seems to have weighed with the cooperative banks who have so far hesitated to have recourse to the Reserve Bank of India. A merit of this scheme, on other hand, is that it is operated very efficiently and prompt decisions are taken both in acceptance or otherwise of applications and payment of defaults. It is doubtful whether the State Governments will be able to introduce the same efficiency and promptness for a considerable time to come. Another advantage is that in respect of loans guaranteed under it, the apex cooperative banks can avail of the re-financing facilities provided by the Refinance Corporation. The benefit of this scheme is, however, restricted to those industrial cooperatives which fall within the definition of SSI as defined in the rules governing the scheme. Whereas the cooperatives that undertake manufacturing, processing and repair work would thus be benefited by this scheme, cooperatives of the service type appear to be excluded therefrom.

266. It is obvious that both the schemes have their advantages and it would be for the financing agency to choose which of the two schemes will offer to it greater security in the light of the age and strength of the industrial cooperative to be financed. The 90% guarantee scheme should, therefore, be continued as a regular scheme.

**Banks may choose either scheme according to strength of society**

267. The National Small Industries Corporation has been authorised by government to guarantee the difference between the actual amount advanced and the amount NSIC guarantee scheme which the State Bank of India would have normally advanced against the security on loans to those small scale industries including industrial cooperatives that receive government stores purchase orders provided the order is received by the party through the National Small Industries Corporation. The loan is advanced up to the total amount of raw material purchased and the guarantee does not exceed Rs. 25,000 in any one case and Rs. 30 lakhs in all cases. Very few units have availed themselves of this scheme. There is a proposal to extend it from the point of issue of letter of credit or a purchase order to the final receipt of the payment of the bill.

268. 'Ad hoc' guarantees are extended by state governments in suitable cases for special purposes. In the former Bombay State, government used to guarantee the margins required by the cooperative and other banks on advances to industrial cooperatives. Maharashtra Government has a scheme to guarantee loans advanced by the Industrial Finance Corporation up to 60% of the capital cost of projects of processing cooperative societies. This scheme covers cooperative spinning mills and other medium scale cooperatives such as cooperative straw board factories and the chemical fertiliser plants. There is a separate scheme for cooperative industrial estates under which 100% repayment of loans advanced by the Life Insurance Corporation, the state financial corporations, the cooperative or commercial banks to the cooperatives is guaranteed as regards the principal and the interest provided the members of the cooperative society raise not less than 20% of the total cost of the estate as paid-up capital.

**Ad-hoc guarantee schemes**

269. There are some industrial cooperatives like those in khadi and some village industries and those of the economically backward members that are organised on the basis of socio-economic considerations and require a longer period of benevolent attention and support. Banks hesitate to finance them because of the inherent

**Necessity of 100% guarantee for KVI and backward classes cooperatives**

weakness of the societies and perhaps social prejudices. They have, however, the potentialities of growing into viable units provided they can carry on their production and sales activities in adequate manner for which they require funds. Government and the Khadi and Village Industries Commission are providing funds for many of them but, if institutional finance is to be provided a 100% guarantee would be necessary to persuade the banks to finance them. Such a guarantee will not place any extra burden on the government inasmuch as it will be relieved of the responsibility of supplying funds. Government will have to shoulder, however, the risk for defaults similar to that in case of its own loans. The standing of each such society can be reviewed every two or three years to decide when the 100% guarantee could be stopped and it could be brought under the 90% guarantee scheme.

270. There are some districts where the central financing agencies are too weak to undertake the financing of industrial co-operatives in spite of the assistance that may be available under the patterns mentioned by us earlier. It would be necessary to utilise an alternative agency for this purpose either in the whole or a part of such a district. The State Bank of India and its subsidiaries have offered to finance industrial co-operatives on the same terms and conditions that they apply to small scale industries in such districts, provided the State Governments permit them to do so and the central financing agency has no objection. The Central Government has, therefore, advised the States to extend to those banks the benefits of 90% guarantee scheme and concessional rate of interest. A list of the areas where these banks are expected to operate should be conveyed to them early by the State Governments and the benefits of the two schemes extended to loans advanced by them.

271. There is a clause in the credit guarantee scheme that a bank which has not been included in the list of the approved credit institutions may take advantage of the scheme provided an approved credit institution participates in the loan to the extent of 25% of the amount of advance. All the apex cooperative banks being approved credit institutions under the scheme, other cooperative banks can avail of the arrangement through them. There are some industrial cooperative banks like the one at Surat which appeared to prefer taking advantage of this scheme in participation with the State Bank of India. Even apart from this scheme there is a possibility that industrial cooperative banks could advance loans in participation with the State Bank of

**State Bank of India  
finance for industrial co-  
operatives**

**SBI loans in participa-  
tion with industrial co-  
operative banks**



India. This would open to them a new avenue of additional resources. We recommend that details of such participation arrangements should be worked out and tried out on an experimental basis in the first instance.

272. The State Financial Corporations and the Industrial Finance Corporation do not make any distinction between the industrial cooperatives and other applicants for their loans but they apply certain tests and ask for some formalities to be undergone before the loans can be advanced. The security of the fixed assets of the applicant industrial cooperative is what the state financial corporations and the Industrial Finance Corporation are interested in. This requires a first legal mortgage of fixed assets on a certain margin of security which normally is 50% but is reduced up to 25% in special cases, where adequate guarantee is available to supplement the security of the society's assets. Fixed assets also include those created from out of the loan amount. Most of the industrial cooperative societies do not own land and buildings which they can offer as security. State financial corporations sometimes accommodate parties that have their workshops in rented premises provided the lease for the building is for a longer period than the maturity of the loan and if they have plants and machinery, embedded to earth which could be offered in mortgage free from any encumbrance or charge. They also accommodate parties if a state government guarantee is extended in their favour for repayment of the loans and the payment of interest. The terms of finance and procedures of the state financial corporations and the Industrial Finance Corporation seem to be too rigid for the industrial cooperatives to comply with. Actually, out of 15 state financial corporations 10 did not receive any application for loan from any industrial cooperative at all. This may be due to the fact that the industrial cooperatives do not consider it worth their while to make an attempt, knowing the strictness of the state financial corporations or may be their requirements are met from other sources. Accommodation from the state financial corporations and the Industrial Finance Corporation could be facilitated if the margin of security could be relaxed in certain cases against state government guarantees. Moreover there are schemes under which government provides grants and loans to cooperatives for land, building and improved equipment. It should be possible in these cases for the state financial corporations to finance the loan requirements of the societies provided the corresponding grant is available from government to make up the usual margin required by the corporations.

273. The Life Insurance Corporation has agreed to advance

loans for the purpose of setting up of cooperative industrial estates up to 60% of the total cost of the estate provided that before any loan is drawn from the corporation, the cooperative has raised the balance of 40% either by way of capital or partly by way of capital and partly by way of state government loan and the state government gives a 100% guarantee for the loan, both on principal and interest. The loan from the Corporation can be drawn either in a lump sum or in instalments within one year from the date of its sanctioning and is repayable in 13 equal annual instalments of principal, the first instalment to be paid on the expiry of 3 years from the date on which the first instalment of the loan was drawn and the last not later than the end of fifteen years. The rate of interest is fixed by negotiation in each case. The case of each estate is examined by the Director of Industries or any other competent officer in consultation with the Development Commissioner for Small Scale Industries, in the Ministry of Commerce & Industry and forwarded to the Life Insurance Corporation after a detailed technical scrutiny as to the location, the industries that would occupy the industrial estate, construction plan and similar other details. Government supervision is exercised at the construction as well as the management stage.

274. Some industrial cooperative societies do not have adequate fixed assets or goods that could be pledged on the lock and key basis but are in a position to offer goods that could be hypothecated to banks. The State Bank of India and its subsidiaries have found it difficult to operate hypothecation advances since the hypothecation charge cannot be registered with any authority as can be done in the case of joint stock companies by registering the charge with the Registrar of Companies. This facility is required by the industrial cooperative societies as well as the marketing and processing cooperatives. A provision in the cooperative Act similar to that which is made for the companies in the Companies Act, 1956 will fill this lacuna and solve the urgent problem facing these cooperatives. We recommend that the cooperative Acts may be suitably amended to allow the registration of hypothecation charges with the Registrars of Cooperative Societies so that the banks can get security from these charges as they do in the case of joint stock companies. The new section would provide for a cooperative society to file with the Registrar, the particulars of every charge created by the cooperative society and of every issue of debenture, within 21 days after the date of its creation together with the instrument, if any, by which the charge is created or evidenced or a copy thereof, verified in the

prescribed manner provided such charge is not registerable under any provision of the Act. The registration of any such charge may also be effected on the application of any person interested therein provided that the Registrar may allow the particulars and instrument or copy, as aforesaid, to be filled within 10 days next following the expiry of the period of 21 days, if the co-operative society or any other person interested in the charge satisfies the Registrar that it has sufficient cause for not filing the particulars and instrument or copy within that period. Where registration is effected on the application of a person other than the cooperative, that person should be entitled to recover from the cooperative, the amount of any fees duly paid by him to the Registrar for the registration. The person, in whose favour the charge is registered in this manner, should have a prior claim on the goods and other property in respect of which it is created, over the claims of other persons.

275. A special problem that banks face in the case of industrial cooperative societies that receive government loans is the clause relating to the floating charge of the government on the general assets of the society in addition to a charge, if any, on specific assets that is included in the agreement signed by them. This does not leave adequate charge-fee security for raising current finance from banks. The forms of agreement should be suitably modified so as to restrict the charge of government to the assets created out of the loans or to include a clause to the effect that so far as short and medium term loans advanced by banks against the pledge or hypothecation of goods are concerned, they would have the first charge and the government's charge would be subordinated to it.

276. The total bank loans to industrial cooperatives at the end of the Second Plan were Rs. 9.64 crores of which Rs. 6.12 crores were with weavers' cooperatives, Rs. 1.03 crores with cooperative spinning mills and Rs. 2.48 crores with other cooperatives. We expect that by the end of the Third Plan these loans will be Rs. 26.65 crores. Of this the loan to the weavers' societies are expected to be Rs. 12.25 crores, those for spinning mills Rs. 2.10 crores and for cooperatives in other industries Rs. 12.30 crores.

277. The outstanding loans from the government at the end of the Second Plan were Rs. 7.67 crores with weavers' cooperatives and Rs. 0.13 crore with cooperative spinning mills. Of this about Rs. 4.5 crores and Rs. 0.10 crore respectively are expected to be repaid during the Third Plan. Additional govern-

**Government's floating charge be subordinated to bank's charge in certain cases**

**Estimates of bank loans**

**Borrowings from Government**

ment loans of Rs. 4.25 crores and Rs. 0.05 crore respectively may be advanced during the plan bringing the outstandings at the end of the Third Plan to Rs. 7.5 crores and Rs. 0.6 crore respectively. Outstanding government loans to cooperatives other than weavers, spinning mills and khadi and village industries were Rs. 5.25 crores at the end of the Second Plan. KVI loans are grouped under loans from "other sources". These loans are also provided by government and should be shown either under the head 'government' or under a separate head. Including the KVI loans, government loans to cooperatives under the group "other industries" outstanding at the end of the Third Plan would be Rs. 18.36 crores, making a total of Rs. 25.92 crores of government loans to all cooperatives outstanding at the end of the Third Plan.

278. The borrowings of weavers' cooperatives from other sources outstanding at the end of the Second Plan were Rs. 2.99 crores, those of cooperative spinning mills **Borrowings from other sources** Rs. 0.29 crore and of other cooperatives Rs. 3.36 crores. The Industrial Finance Corporation, the State Financial Corporation and the Life Insurance Corporation and other agencies are expected to play an important part in the financing of industrial cooperatives in the Third Plan and their outstanding advances at the end of the Plan are expected to be Rs. 5.59 crores, Rs. 4.84 crores and Rs. 13 crores with the weavers, spinning mills and other cooperatives respectively, making a total of Rs. 23.43 crores with all industrial cooperatives.

279. The total borrowings of the weavers' cooperatives outstanding at the end of the Third Plan would thus be Rs. 25.34 crores, of cooperative spinning mills Rs. 7 crores and of other cooperatives Rs. 43.66 crores. The total borrowings of all cooperatives at the end of the Third Plan are thus estimated at Rs. 76.00 crores.

## CHAPTER VI

### FOURTH PLAN

280. In the Fourth Plan, attention needs be directed to strengthening the industrial cooperatives and putting them on a sounder footing whereby they could provide better service and fuller employment to their members. Greater emphasis will, therefore, have to be placed on augmenting the owned funds of the industrial cooperatives and, with this end in view a larger portion of the government funds may have to be used for share capital loans.

281. The main programme for the weavers' cooperatives should aim at (i) increasing their self-sufficiency in the supply of yarn by setting up a larger number of cooperative spinning mills and (ii) improving production by conversion of a larger number of old looms into improved looms, supported by an adequate number of processing, calendering, dyeing, printing, finishing and similar other plants. Their sales organisation should reach an efficiency in the sale of handloom cloth to the extent of enabling the active members to work full-time and thus utilise 80% of the looms after making an allowance for 20% idle capacity on account of repairs, occasional closure of work due to festivals, ceremonies, illness and other causes.

282. The main increase in the number of cooperatives and their membership should be in other industries where an attempt should be made to organise 50% of the small factories and industrial households in the urban and rural areas into cooperatives. Production and sales societies on the pattern adopted for the weavers' cooperatives should be organised in the traditional industries like leather work, carpentry, smithy, metal work, pottery, handicrafts and coir. The programme for them should include, in addition to introduction of improved tools and implements, supply of adequate funds and marketing services, common facility workshops to reduce costs and manufacture new products. While it will be necessary to continue the existing grant patterns for these industries, steps will have to be taken to see that the proportion of grants to the total Fourth Plan provision is reduced as a result of larger expenditure on technical improvements and share capital loans.

283. In the field of mechanised industries, we expect a faster growth in the cooperatives of small industrialists, most of which will be service cooperatives, involving a high rate of increase in the paid-up and working capital of the societies. This will also attract, to the movement, persons with higher managerial and business calibre resulting in improvement in the purchase and sales service and a faster rate of turn-over of capital. Amongst the production cooperatives, manufacture of consumer goods and processing of agricultural produce may be undertaken by a larger number of cooperative societies. There would be some growth in cooperative industrial estates and cooperative common facility workshops.

(iii) **Mechanised industries**      284. In the field of ancillary industries cooperative servicing organisations may help small industrial units by canvassing orders, standing guarantees to banks, advising on costs and techniques and providing similar other services.

(iv) **Ancillary industries**      285. By the end of the Second plan, 17.42 lakh spindles were required to feed 7.74 lakh working looms of the weavers' cooperatives. Cooperative spinning mills with a capacity of 1.75 lakh spindles were at different stages of installation at that time. The capacity expected to be licensed in the cooperative sector is 5.01 lakh spindles by the end of the Third plan. We expect a target of 12.00 lakh spindles to be licensed to the cooperative spinning mills by the end of the Fourth Plan.

**Cooperative Spinning mills**      286. Cooperative banks should be encouraged to extend credit facilities to the industrial cooperatives on a more liberal scale and a major portion of the short and medium term capital requirements of the industrial cooperatives may be met by the cooperative banks, the State Bank of India and its subsidiaries. Government will, however, have to continue to advance loans to the central financing agencies on the basis of which it would be possible for them to provide larger amounts from their own resources.

**Bank loans**      287. While a larger part of the long term loan requirements would be met by the state financial corporations, the Industrial Finance Corporation and the Life Insurance Corporation, Government will still have to advance such loans to cooperatives in traditional industries and to those of backward classes which require them for small tools, equipment etc.

**Long and medium term loans**

288. There were 7,101 industrial cooperative societies at the beginning of the First Plan, 13,278 at the beginning of the Second Plan and 33,266 at the beginning of the Third Plan. Our estimates are 48,000 societies at the end of the Third Plan and 68,000 at the end of the Fourth Plan. We do not expect much increase in the number of weavers' societies during the Fourth Plan nor any large increase in their membership. In view of the necessity to mobilise the capacity of the small industries and craft units, we expect the bulk of the additional cooperatives to be organised in the group 'other industries'. These societies have the potential for meeting the requirements for consumer goods and for development as ancillary units.

289. The industrial cooperatives had a membership of 7.66 lakhs at the beginning of the First Plan, 12.73 lakhs at that of the Second Plan and 25.64 lakhs at that of the Third Plan. We are estimating a membership of 40 lakhs at the end of the Third Plan and 65 lakhs at that of the Fourth Plan. As far as industrial societies particularly those that undertake production are concerned, the size of their membership is not necessarily a criterion of their viability or soundness. We, therefore, do not expect any sizable increase in the membership per society.

290. The industrial cooperatives had a working capital of Rs. 92 per member at the beginning of the First Plan, Rs. 108 at the beginning of the Second Plan and Rs. 210 at the beginning of the Third Plan. Our estimate for the Third Plan is Rs. 300 per member and that for the Fourth Plan about Rs. 385, based on the present capacity of the members. The working capital of the industrial cooperatives was Rs. 7.05 crores at the beginning of the First Plan, Rs. 13.74 crores at the beginning of the Second Plan and Rs. 53.81 crores at the beginning of the Third Plan. We expect the working capital to stand at Rs. 120 crores by the end of the Third Plan and Rs. 250 crores by that of the Fourth Plan.

291. The industrial cooperatives had a paid up capital of Rs. 2.35 crores at the beginning of the First Plan, Rs. 4.19 crores at the beginning of the Second Plan and Rs. 13.96 crores at the beginning of the Third Plan. Our estimates for paid-up capital by the end of Third Plan are Rs. 34 crores and by the Fourth Plan Rs. 75 crores. Their owned funds were Rs. 13.43 crores in 1958 and Rs. 21.35 crores at the end of the Second Plan. We are estimating the owned funds by the end of the

Third Plan at Rs. 44 crores and at the end of the Fourth Plan at Rs. 90 crores. The owned funds per member were Rs. 77 in 1958 and Rs. 84 by the end of the Second Plan. They are estimated to be Rs. 110 per member by the end of the Third Plan and Rs. 132 per member by that of the Fourth Plan.

292. The borrowings of the societies from government were Rs. 9.78 crores in 1958 and Rs. 14.60 crores at the end of the Second Plan. We are estimating the borrowings from government to stand at Rs. 25.92 crores at the end of the Third Plan and Rs. 30 crores at the end of the Fourth Plan. There would be an additional amount of Rs. 10 crores as an outstanding government loan to banks for financing industrial cooperatives at the end of the Third Plan and Rs. 48 crores at that of the Fourth Plan.

293. The borrowings of these cooperatives from the central financing agencies stood at Rs. 5.81 crores in 1958 and Rs. 9.76 crores at the end of the Second Plan. Our estimates for the Third Plan are Rs. 26.65 crores and for the Fourth Plan Rs. 85 crores.

294. The borrowings of the industrial cooperatives from other sources including Khadi and Village Industries Commission were Rs. 5.40 crores in 1958 and Rs. 8.09 crores at the end of the Second Plan. Excluding KVI loans, which are ultimately government funds, the borrowings of these societies from other sources including state financial corporations, the Industrial Finance Corporation and the Life Insurance Corporation etc. would be Rs. 23.43 crores at the end of the Third Plan and Rs. 45 crores at that of the Fourth Plan.

295. Government expenditure on grants, rebates, development measures and other revenue items under the present patterns for the Third Plan has been estimated by us at Rs. 38 crores and on share capital loans, share participation, loans for equipment, workshops, etc. to societies and loans to banks at Rs. 46 crores. The corresponding provision for Fourth Plan may be envisaged at Rs. 65 crores and Rs. 100 crores respectively. Our estimate thus is a Third Plan provision of Rs. 84 crores and Fourth Plan provision of Rs. 165 crores by Government under the head "Village and Small Industries" for cooperative development of industries. The Third Plan provision suggested by us would be about 30% of the total provision for the development of village and small industries and the Fourth Plan provision



between 40% to 45%. Our suggestions are based on the acceptance of the fact that the promotion of rural and urban industries on a decentralised basis are receiving increasing attention of the authorities concerned. A special high powered Committee has been set up to implement the programme for rural industrialisation. The report of another Committee on Dispersal of Industries is under consideration of the Government. Village and small industries are expected to play an important role in meeting the demand for consumer and other manufactured goods. The programme for export orientation of many industries as well as the programme for rural electrification, village roads, rural works and housing will act as an impetus to this sector.



## CHAPTER VII

### CONCLUSIONS

296. In our planned economy it is visualised that cooperation should become progressively the principal basis of organisation in many branches of economic life notably in agriculture, small industry and processing industry along with a number of other fields. With special emphasis on the needs of the peasant, the worker and the consumer, a rapidly growing cooperative sector becomes a vital factor for social stability, expansion of employment opportunities and orderly and speedy economic development. Even in medium and large industries an increasing range of activities can be taken up on cooperative lines. Cooperation has the merit of combining freedom and opportunity for the small man with benefits of large-scale management and organisation. It is, therefore, expected that the programmes aimed at developing decentralised industrial units are directed towards the development of cooperative societies of artisans, craftsmen and small industrialists.

297. It is in pursuance of this objective that increasing importance has been given to the development of industrial cooperatives in successive Five Year Plan. There has been a significant growth in this sector, with the number of industrial cooperatives increasing from 7,101 in 1951 to 33,266 in 1961, their membership from 7.66 lakhs to 25.64 lakhs and their working capital from Rs. 7.05 crores to Rs. 53.81 crores. Amongst the types of cooperatives that have been organised are a good number of workshop cooperatives, production cooperatives allowing their members to work in their cottages, industrial service cooperatives, common facility workshops, cooperative industrial estates and industrial cooperative banks. Separate apex and central federations have been set up in the handloom, palm-gur, coir, oil pressing and leather industries in some states and multi-industry federations in some others. Two all-India federations have also been set up, one in the handloom and the other in palm-gur industry.

298. While growth has taken place in the owned funds of these societies partly with the assistance of the government and the Khadi and Village Industries Commission, the societies have not been able to obtain adequate institutional finance, nor have they been able to develop production and sales to a magnitude

that will allow them to provide employment and other services to all their members.

299. It was expected that systematic efforts would be made to increase the cooperative content in the programme for village and small industries at a rapid pace in the Third Five Year Plan period but an analysis of progress made during the first two years of the Third Plan indicates considerable lack of coordination among the agencies concerned and large scope for enhancing cooperative programmes even within the present plan allocation of funds. While the entire allocation for handloom is being spent on development of cooperatives and a major portion of the provision for village industries has also been earmarked for this purpose, the utilisation of funds in the handicrafts and small industries groups for the cooperative sector has been very inadequate. Some industries officers treat industrial cooperatives with apathy and indifference. The programmes in this sector do not seem to attract them because they take time to materialise. They prefer to devote their energies to the development of individual units, particularly of a bigger magnitude which give easy satisfaction and immediate results. This gets reflected in the utilisation of government funds to a much larger extent on programmes of development for individual units rather than the industrial cooperatives. The latter is a difficult form of organisation and requires a certain period of nursing, but can yield a richer harvest in the long run. In order to introduce a larger cooperative content into the village and small industries programme, it would be necessary in our opinion to earmark definite funds under each industrial group for development of industrial cooperatives so that a clear indication is available sufficiently in advance of the extent to which the central and state governments expect attention to be devoted to its development each year.

300. Though the handloom cooperatives form the biggest single group amongst industrial cooperatives, a point has been reached in their case where their development will be arrested if continued attention is not paid to strengthen them financially and operationally. Greater efforts will be necessary to make their sales organisation more efficient and also to undertake such measures as would reduce their cost of production, namely introduction of improved looms and appliances, establishment of preparatory and finishing plants, establishment of a larger number of spinning mills which could supply cheaper yarn of appropriate counts. The main growth, however, is expected in other traditional industries, particularly leather, carpentry, blacksmithy, bricks and tiles making, khadi, beekeeping and palm

products and in the mechanised industries where cooperative effort is necessary to provide such services to the small industrial units as are required by them to improve their operational efficiency. These societies could be formed amongst small industrial units manufacturing consumer goods, processing industrial, forest and mineral products and amongst those units that undertake production of tools and equipment for cottage and village industries and other producer goods as ancillary to medium and large industries. In the present context of the necessity to utilise the capacity of the small units, which are dispersed all over the country, to meet the defence requirements like woollen blankets, packing cases, boots and shoes, etc. and the necessity to stimulate rural industrialisation, the development of cooperatives in the mechanised sector is of great importance. These cooperatives can also play an important role in the promotion of exports of items manufactured by the smaller units that have a demand abroad, for example, coir products, pile carpets, boots and shoes, certain types of engineering items and so on. In the ancillary sector too the cooperatives can play a vital role though special efforts will be required in this direction. It has not been possible even for the public sector undertakings which had been asked some time back to develop ancillary production, to make any progress in this regard because of the multifarious problems that are involved, namely, quality marking, confirmation to standard specifications, timely deliveries, unavailability of raw materials of the required type etc. We suggest that special efforts may be made to organize a specific number of cooperative societies manufacturing ancillary products with the assistance of the public sector undertakings so that the private sector could also be encouraged to follow their example. We have visited a few industrial cooperative societies which have successfully attempted production of ancillary products and it appears to us that if efforts are made, it should be possible to organise a larger number of such societies. Keeping such a development in view we have suggested earmarking of an amount of Rs. 84 crores towards development of industrial cooperatives in the Third Plan.

301. An important factor which affects the working of a large number of industrial cooperatives adversely is lack of institutional finance. The Cooperatives Government loans to co-operative banks require short-term finance, repayable within six months or a year, or cash credit limits and over-drafts which can be operated throughout the year according to their needs and credit-worthiness. Of the total borrowings of the industrial cooperatives only 30.08% were from cooperative banks in 1961, ratio of owned funds to borrowings being about 2:3. The growth in owned resources and business creates confidence in the financing institutions and allow

them to advance increasing amounts in due course. This, government finance cannot and has not been able to do. Earnest efforts will have to be made to make the necessary institutional funds available to the societies. It is possible for the financing institutions to satisfy the needs of the societies in the ordinary course of business if they recognise their responsibility to finance them. They have, however, been waiting for the Reserve Bank of India to make funds available to them under Section 17(2) (bb) on the plea of shortage of funds. But this is not the exact position because in the case of handloom finance they have been able to provide larger funds than have been sanctioned or drawn from the Reserve Bank. What they require is an assurance of funds being available if they require them any time. In order to overcome this problem, we are suggesting that every year Government should place at the disposal of the apex cooperative banks funds which they can utilise for financing industrial cooperative societies. Though the funds will be provided to the cooperative societies on a short or medium term basis, the limits get extended from period to period and in effect the funds will be required continuously for long periods. This can be assured partly if the government loans are made repayable in ten years, the first instalment falling due on the completion of 5 years from the date of disbursement.

302. We find that a large number of industrial cooperative societies are unable to make use of the facilities provided by the state financial corporations because they do not have adequate security to offer. There are a number of schemes where the government or the Khadi and Village Industries Commission provide both grants and loans for the purchase of equipment for construction of workshops etc. It should be possible in such cases for the state financial corporations to provide the loan portion of assistance against the security of the land, buildings, plant and equipment for which the grant portion has already been provided by government. We suggest that this possibility should be seriously explored and the government funds linked with those of the state financial corporations and other bodies under such an arrangement. The more viable cooperative spinning mills and other cooperative industrial units set up by the small industrialists etc. will require larger funds for equipment etc., for which they will have to depend mainly on the Industrial Finance Corporation. It would be advisable to draw up a programme of such loans and hold discussions with the Industrial Finance Corporation and fix terms and conditions in the same way as has been done in the case of the Life Insurance Corporation loans to cooperative industrial estates and the Industrial Finance Corporation loans to cooperative sugar factories.

303. Government has introduced a very liberal rate of interest on loans to small-scale industries and industrial cooperatives.

**Rationalised rate of interest** This was necessary at the time of introduction of the programme to focus attention on the possibilities of development in this sector. That stage has, however, passed and if the financial operations are to assume a large magnitude, it would be necessary to have a more rationalised rate of interest. When large concessions are allowed in the rate of interest, the quantum of funds gets limited but if the purpose is to make sufficiently large amounts of funds available at reasonable rates of interest, the extent of the concession will have to be reduced. It is desirable, therefore, to review the pattern of concessional rate of interest. We are of the opinion that ordinarily it should be possible for the industrial cooperative societies to pay a rate of interest of  $4\frac{1}{2}$  per cent and for the individual small industrial unit to pay about 2 per cent higher than this rate. The rate of interest to be charged to the industrial cooperative societies should thus be the Reserve Bank rate of interest and that from individual small industrial units the one that is comparable with the rate charged by the State Bank of India. The Government pattern for concessional rate of interest to small-scale industrial units and industrial cooperative societies may, therefore, be revised accordingly. The banks, however, have to incur expenditure on administrative charges which it will not be possible for them to pass on to the industrial cooperatives. We are, therefore, suggesting payment of a subsidy to the banks to the extent of 3 to  $3\frac{1}{2}$  per cent per annum of the average debit summations of advances to industrial cooperatives or on the amount outstanding against industrial cooperatives on an agreed date. This grant for the overhead cost would be available on all advances inclusive of the advances made from their own resources. It would be an internal arrangement for the apex and central banks to apportion the margin of overheads among themselves. In case the state government visualises a higher rate of interest to be recovered from the borrowing societies, the rate of grant for the overheads would correspondingly be lower. The reverse would be the case where a lower rate of interest is prescribed in favour of particular class of societies.

304. Government has introduced schemes for subsidising the cost of additional staff appointed by the apex and central cooperative banks for industrial purposes. In most

**Steps to be taken by co-operative banks**

states, however, this is under various stages of consideration and very few banks have been able to appoint staff under this scheme. We are, therefore, of the opinion that early steps should be taken to see that sufficient funds are made available to the banks for the appointment

of additional staff under the suggested subsidized pattern. A guarantee scheme has also been approved by the Central Government, allowing 90 per cent of the default in a cooperative bank on loans to industrial cooperatives to be borne by the central and state governments. This scheme has also remained under various stages of consideration in some of the states. We need hardly emphasize that immediate action needs to be taken to introduce this scheme also in all the states. Moreover, the apex and central cooperative banks were asked to allow separate representation to industrial cooperative societies on their board of management and to appoint special sub-committees for industrial loans. This does not appear to have been complied with so far and needs to be arranged early. Moreover, separate wings should be set up by each apex cooperative bank as well as by each central cooperative bank for industrial finance so that their attention could be focussed on this aspect of their business. One of the reasons that has retarded the growth of institutional finance to industrial cooperatives is the lack of supervision and timely audit. This aspect has been sadly neglected in most of the states and has affected the efficiency of the industrial cooperative societies as a whole. We have, therefore, suggested early steps for the appointment of an adequate number of supervisors and auditors and of preparation of special forms for audit.

305. The ultimate borrowing capacity of a cooperative society depends on its owned funds. With their limited capacity to make profits and thereby build up reserves, it becomes all the more important to strengthen their share capital. Some steps have been taken in industries like handloom, khadi and village industries etc. to make share capital loans available to the members of societies. This is an important scheme that has been introduced to help the members to build up their share capital. But its advantage has not been taken to the necessary extent in the case of cooperatives in the handicrafts and small-scale industries field. Greater attention should, therefore, be paid to advancing of share capital loans to existing as well as prospective members of industrial cooperative societies in all industries.

306. Under certain conditions participation in the share capital of the society by the state itself is to be preferred. We are, therefore suggesting that such participation may be on an *ad hoc* basis in the case of primary societies and up to 3 times in the case of service federations. In the case of industrial cooperative banks and other types of federal bodies, the participation may be on a matching basis.

307. Though a fairly good number of industrial cooperative societies are working satisfactorily, the percentage of societies that incurred losses or remained inactive in 1961 was substantially high being 38 per cent and 23 per cent respectively. Not a few of the societies come to grief either because of inefficient management or their inability to sell their products. Patterns of government grants to help them appoint some staff in the initial stages have been evolved for handlooms, KVI and other industries. Some arrangements have also been made for training the staff. This programme of training will have to be considerably expanded to ensure training of a sizeable percentage of the secretaries and other members of the staff of the societies. The role of the members and directors of industrial cooperatives' that undertake production is a complex one since they have also to work under the supervision of the staff in whose appointment they play an important part. Moreover, the ordinary member of a production society comes in more frequent contact with the directors and the staff of the society than is the case in other types of cooperatives. This necessitates special efforts at educating them in their respective roles and working under a cooperative form of organisation. We are, therefore, of the view that the National Cooperative Union of India should introduce a special programme of cooperative education of members of industrial cooperatives in both rural and urban areas.

308. It appears to us that it may be possible to revive many of the societies that have become dormant if concentrated attention is paid by the departmental supervisory staff and the terms and conditions of different types of government assistance are suitably relaxed. This would require expeditious and timely action by officers at the district and higher levels and a careful study of the specific measures required to improve the position of each society that is undertaken for revitalisation. We suggest that about 2,000 societies should be taken up for revitalisation every year and 6,000 societies revitalised by the end of the Third Plan.

309. To allow the societies the benefit of joint purchases and sales and tapping of distant markets a structure of federations of societies will have to be built up. There is a necessity for coordination of the activities of industrial cooperative societies in different industries and to provide them a common platform at the national level. Special effort is necessary to build up their import and export business and to canvass orders from government and other parties which operate at a higher level than that of the



state. Highly qualified technicians and experts in different industries and in problems of industrial cooperatives and business management are required which it is not possible for either the primaries or their federations to appoint. It is also necessary to study the problems of the industrial cooperatives on an all India level. We, therefore, recommend establishment of a National Federation of Industrial Cooperatives.

310. After considering all these aspects and taking the present requirements as well as the future possibilities into consideration, we have suggested stepping up of the targets originally indicated in the Third Plan.

**Third Plan targets** The revised targets will be to organise 15,000 new industrial cooperative societies and enlist an additional 15 lakh members bringing the total number of cooperatives by the end of the Third Plan to 48,000 and membership to 40 lakhs. In order to ensure that these societies would have reasonably adequate resources their working capital would have to be raised to Rs. 120 crores by the end of the Third Plan. We are, therefore, suggesting that Government may advance Rs. 16.01 crores as share capital loans and towards share participation and another Rs. 19.99 crores for equipment and other purposes. In addition, an amount of Rs. 10 crores may be placed at the disposal of the banks on the terms and conditions suggested by us above. This would allow the societies owned funds of Rs. 44 crores at the end of the Third Plan. Against this, we expect their borrowing to be Rs. 76 crores, of which we expect Rs. 26.65 crores to come from cooperative banks and Rs. 23.43 crores from the Industrial Finance Corporation, the state financial corporations, the Life Insurance Corporation and other sources.

311. This programme will require an energetic and efficient departmental set up both at the Centre and in the States. There is a branch in the Ministry of Commerce and Industry dealing with the subject in consultation with a standing committee on industrial cooperatives. Adequate liaison will have to be established between the representatives of the central and state governments and bolder programmes for supply, sales, training and organisation will have to be introduced. The various recommendations that we have made in this report require sustained action on the part of an officer higher in status than that of a Director at the centre. We, therefore, recommend to the government to have in the Ministry of Commerce and Industry a stronger organization headed by a Commissioner for Industrial Cooperatives and supported by adequate staff. The development of industrial cooperatives is being dealt with by the Registrars of

The administrative set up in the Centre and in the States

Cooperative Societies in some states and by the Directors of Industries in other states. Each of the two departments has to provide assistance to the industrial cooperatives in different spheres and in some states arguments have been put forward in favour of retaining the work with the cooperative department or transferring it to the Industries department. In our opinion the balance of advantage lies on the work relating to industrial cooperatives remaining with the registrar of cooperative societies except, it seems, in the case of cooperatives in the mechanised industries. We noticed that there are quite a few industries officers who do not appreciate the possibilities of development of industrial cooperatives nor are they conscious of their responsibility to promote cooperative efforts in this field. This may well be due to their lack of understanding of cooperative principles and practice. Special courses should, therefore, be organised to acquaint them with the principles and programme for development of the village and small industries on cooperative lines. It will also be necessary for the cooperative and the industries departments to make a coordinated effort towards development of industrial cooperatives. If the director of industries is in charge, he should be assisted by a joint registrar belonging to the cooperative cadre and with previous training and experience in cooperation and his field staff should be assisted by the cooperative department. On the other hand, if the registrar of cooperative societies is in charge, he should have under him a technical officer of the status of a joint director of industries preferably on deputation from the industries department. He should be assisted by the industries department in providing the industrial cooperative with technical assistance, adequate quotas of raw materials, financial assistance under different schemes and such other facilities as are available with that department. For effecting coordination between the two departments a committee should be constituted at the secretariat level consisting of the secretaries of industries and cooperation which should meet once a month and to which the director of industries and registrar of cooperative societies should be invited.

312. While the Reserve Bank of India is compiling and publishing the statistics on spinning mills, industrial cooperative banks, weavers and other industrial cooperatives, there is a pressing need for detailed statistics on cooperative societies in a number of other industries as well as of different types of cooperatives in the same industry. There is also a necessity for information on many items that are not included in the Reserve Bank statements. Difficulty has been experienced in the collection of this data in the absence of adoption of a standard classification of industries and also on account of the number of different departments that

Statistics

are responsible for supplying it in some states. We are of the opinion that a standard classification of industries should be adopted for collection of data on industrial cooperatives and the responsibility for supplying the data to the Reserve Bank of India be placed on the registrar of cooperative societies even in those states where the director of industries is in charge of other regulatory duties in connection with the industrial cooperatives. In the latter case the director of industries should keep the registrar supplied with up-to-date and adequate data on the subject.

313. The main increase in the number of cooperatives and their membership in the Fourth Plan would be in industries other

**Indications for the Fourth Plan**

than handlooms. The main programme for the latter would be aimed at increasing their self-sufficiency in the supply of yarn by setting up a larger number of spinning mills and offering support to this industry by an adequate number of processing and finishing plants. As far as the other industries are concerned, the aim should be to organise 50% of the small factories and industrial households in rural and urban areas into cooperatives. The efficiency of the cooperative sales organisation will have to be increased so that the societies are able to provide full-time work to their members. It will be necessary to continue the existing grant pattern for the different industries but it is expected that larger expenditure on technical problems and augmentation of share capital will lead to a reduction of the proportion of grants in the total Fourth Plan provision. Larger institutional finance would be available to the cooperatives both from the cooperative banks as well as from the industrial finance corporations. The number of industrial cooperative societies may reach 68,000 by the end of the Fourth Plan with 65 lakh members and working capital of Rs. 250 crores. Of this it is expected that the owned funds of the societies may be near about Rs. 90 crores and their borrowings from Government and banks Rs. 160 crores. Government may have to provide Rs. 165 crores in the Fourth Plan for development of these cooperatives of which Rs. 65 crore may be spent on developmental measures, rebates, grants and similar other items and Rs. 100 crores on loans to banks, cooperative societies and schemes for augmenting the share capital. In making these suggestions we have attached due weight to the impetus that is being provided to the development of village and small industries by the high powered Committee on rural industrialisation, the programmes for dispersal of industries, export promotion, rural industrialisation and organization of ancillary units attached to large industries.

314. Industrial cooperatives are the next largest group in the cooperative movement after agricultural credit cooperatives. In

**Conclusion** spite of several handicaps they have shown an appreciable vitality and progress during the last few years. Given the amount of concentrated attention and thought that the agricultural cooperatives have received from the government and state co-operative banks, they have the potentiality of developing into strong units. There is scope for them to build larger assets, increase the turnover of their capital and improve their management, provided assistance from the Cooperative, Industries and other government departments is made available to them on a coordinated basis. They are a suitable agency to offer to their members the benefits of joint production, common facility of workshops, joint purchases and sales, propagation of much-needed technical improvements and knowledge of development programmes.

*Signed*

B. P. Patel	(Chairman)
K. V. Venkatachalam	(Member)
*M. P. Bhargava	"
Brahm Prakash	"
D. A. Shah	"
P. D. Kasbekar	"
M. L. Batra	"
Gandharva Sain	"
F. N. Rana	"
B. K. Chatterjee	"
P. Sabanayagam	"
Nagendra Kumar Bhattacharyya	"
L. N. Renu	(Member-Secretary)

New Delhi,

Dated the 6th May, 1963.

\*signed on 30th May 1963.

## SUMMARY OF RECOMMENDATIONS

Following is a summary of recommendations made by us at several places in the body of the Report.

<i>Serial No.</i>	<i>Paragraph No.</i>
1	<div style="display: flex; justify-content: space-between;"> <div style="flex-grow: 1;"> <p>(i) Amongst the industrial societies there are those that undertake production and others that only provide service to their members. They are organised in most cases on a single industry basis and in special cases on a multi-industry basis. Among the production type there are workshops set up by workers in special trades. In order to distinguish them from industrial cooperatives of other types these societies may be called "workshop cooperatives."</p> </div> <div style="text-align: right; vertical-align: bottom;">17</div> </div> <div style="display: flex; justify-content: space-between; margin-top: 10px;"> <div style="flex-grow: 1;"> <p>(ii) There is another type of production society where members continue to work in their cottages or original workshops but the society takes the risk of production.</p> </div> <div style="text-align: right; vertical-align: bottom;">20</div> </div> <div style="display: flex; justify-content: space-between; margin-top: 10px;"> <div style="flex-grow: 1;"> <p>(iii) There are societies which offer services to their members by supplying raw materials, tools and equipment, selling their products or providing credit or other facilities. These may be called "industrial service societies".</p> </div> <div style="text-align: right; vertical-align: bottom;">21</div> </div>
2	<div style="display: flex; justify-content: space-between;"> <div style="flex-grow: 1;"> <p>(i) The aim should be to bring about 30% of the working in household industries under cooperative organisation by the end of the Third Plan. This would mean an upward revision of the existing programme to about 15,000 new industrial cooperatives and an addition of 15 lakh members. The target for working capital will be Rs. 300 per individual member <i>i.e.</i> Rs. 120 crores (an addition of Rs. 67 crores during the Plan) and for paid up capital of an additional amount of Rs. 20 crores. The borrowing of these societies from the government would be Rs. 25.92 crores including the amount passed through the Khadi &amp; Village Industries Commission, from cooperative banks Rs. 26.65 crores and from the state financial corporations, the Industrial Finance Corporation, the</p> </div> <div style="text-align: right; vertical-align: bottom;">68</div> </div>

- Life Insurance Corporation and other sources Rs. 23.43 crores. Of the plan provision under the head "village and small industries" Rs. 84 crores may be utilised towards development of cooperative societies, of which Rs. 46 crores would be by way of government loans to societies, their members and banks and by way of share participation. Share capital loans and share participation by government may account for Rs. 16.01 crores, government loan for working capital, equipment and other purposes to the societies Rs. 19.99 crores and government loan to the banks for being advanced to industrial cooperative societies Rs. 10 crores .. 119
- (ii) We hope that the sales machinery of weavers' societies will be geared up to attain a turn-over of three times their working capital by 1966. . . . 73
- (iii) Separate provisions for handicraft cooperatives should be made by those states which have not already done so and the provisions suitably stepped up by all States to reach a target of 50% of the Third Plan provisions for handicrafts. . . . 101
- (iv) We recommend that 25% i.e. Rs. 11.1 crores of the small scale industries provision in the State Plans should be utilised for the development of industrial cooperative societies. Some states have laid down targets for the development of societies in this group. Others may also do so. . . . 115
- 3 Coir cooperatives should be encouraged to purchase raw husk, undertake its retting and sell retted husk to members in addition to their usual activities of sale of yarn and other finished products of their members. The cooperative banks should be agreeable to advance loans to those societies against the security of husks in the process of retting, subject to such safeguards as may be necessary in practice to protect their interests. .. 104
- 4 Along with the necessity of paying due attention to the formation of workers' co-operatives, the need for the organisation of societies of craftsmen and small manufacturers

cannot be ignored. It is expected that a substantial number of such societies would be organised during the Third Plan in the field of handicrafts, coir and small scale industries on an industry-wise basis. This would include societies of (i) artisans (ii) mastercraftsmen and (iii) small industrialists. A distinction will be necessary in regard to the nature and quantum of assistance that would be provided to the 3 categories of societies, care being taken to see that special assistance meant for the societies consisting of workers and artisans is not utilized by the societies formed by the well-to-do master craftsmen and industrialists.

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123

- 5 The scheme for utilizing the services of urban cooperative banks be reconsidered and a revised scheme worked out for utilising the agency of new or existing urban cooperative banks for industrial loans on a pilot scale. Up to six such banks may be selected/organised in each state in towns which have not got facilities of industrial cooperative banks of the mixed type. A bank selected under the scheme should have a minimum paid up capital of Rs. 50,000. Government should assist those banks whose capital is below this figure by meeting the difference by share participation. The guarantee referred to in paragraph 126 should be extended to these banks. They should be given managerial grants by the Government to enable them to appoint a special deputy manager, an accountant and an inspector for industrial work. Where it is intended to assist them with government funds, these should be made available through central financing agencies and not directly. The latter should make the required funds available to them at a rate not higher than the Reserve Bank of India rate viz.  $4\frac{1}{2}\%$ . Loans should be made available by these banks to their members at a rate of interest not much above that charged by the State Bank of India i.e. at about  $6\frac{1}{2}\%$ . A subsidy of 3 to  $3\frac{1}{2}\%$  be paid by government on funds advanced by the central financing agencies to urban banks for

- industrial purposes. Where the margin of 2% or so available to urban banks is found to be inadequate, the central financing agencies may consider the granting of a more favourable rate than 4½% or the urban cooperative banks may be permitted to charge a somewhat higher rate of interest to the borrowing units. In areas where selection cannot be made out of the existing urban cooperative banks, new banks may be organised for the purpose. The results of the pilot experiment may be reviewed at the end of 3 years. . . . 128
- 6 The agricultural primary credit societies should be made aware of their responsibility to finance village craftsmen and should be encouraged to pay due attention to their needs. . . . 129
- 7 The supply and sales societies would be well advised to appoint experienced salesmen for canvassing and booking orders. It would be easier to deal with wholesalers and exporters if the societies set up an agency for collecting information on the products in demand and on the market trends so that they could forewarn their members. They should develop ancillary production by booking orders with larger industrial concerns for manufacture of components and parts and undertake job orders on behalf of their members. These societies should continue to adjust their prices according to the market trend even when market prices decline to a rate lower than that at which the society purchased its stock. . . . 130
- 8 Cooperative societies can maintain an accounts unit to keep the accounts of members and fill in the numerous forms required under different Acts and prepare the tax returns for them on payment of a regular fee. . . . 133
- 9 The possibility and utility of organising cooperative credit guarantee organisations need to be explored. . . . 134
- 10 (i) It is advisable to encourage the members of production and sales societies to contribute to the working funds and to share as



much risk as possible for wastage etc. in manufacture of goods. . . . . 132

(ii) A voluntary quality control should be introduced by common facility workshops as well as other societies that undertake production either in their own or the members' workshops. . . . . 135

(iii) These societies should create a provident fund for the workers in their workshops and a depreciation fund for the replacement of worn out machinery. . . . . 135

(iv) They should observe the conditions laid down under the Factories Act and other labour legislation. . . . . 135

(v) Wages in the production societies should be paid on a piece rate basis as far as possible. These should not be higher than those prevailing in similar factories. . . . . 136

(vi) Special emphasis should be laid on periodical cost accounting to keep an eye on sale price and profits. . . . . 136

(vii) These and other societies should ensure that the credit facilities allowed to them by suppliers do not increase their liabilities beyond reasonable limits and timely payments are made. . . . . 136

(viii) As far as credit sales are concerned, the societies should include in their supply vouchers, the terms of credit and the rate of interest chargeable in case of delayed payment. . . . . 137

- 11 For the orderly growth of industrial cooperatives, it is essential that the authorities concerned with the organisation and registration of new societies discuss with the promoters the prospects of the proposed cooperative becoming a viable unit in terms of the government policy for the industry concerned within a reasonable period of time. The scale of operations of a society has to be at least as much as will provide it with a net income sufficient to meet overhead costs. From this point of view it becomes necessary to ensure before hand that the society will have

- adequate as well as dependable membership. Model schemes which would indicate in broad terms some of the minimum pre-conditions of viability should be worked out for the more important among the traditional household type of industries in which the industrial co-operatives are expected to play a significant role. . . . . 138
- 12 (i) Federations of industrial cooperatives may be set up at important marketing centres on a single or multi-industry basis, according to local circumstances provided a need is felt by the primary cooperatives for arranging supply, sales, common workshop facilities or other services. . . . . 140
- (ii) At the state level there should be at least one industrial cooperative federation. While separate state level federations may be organised for those industries in which it is possible to run them economically, multi-industry federations are required to serve other industries and such federations may be organised in those states where this has not been done. . . . . 141
- (iii) Possibilities of handloom federations selling the products of handicraft cooperatives deserve serious consideration. . . . . 142
- (iv) There is a need for a separate all India federation of coir cooperatives that can undertake export of products of coir co-operatives and develop domestic market. . . . . 144
- (v) As the number of KVI cooperatives increases, it may be possible to form state khadi and village industries cooperative federations in some states. . . . . 145
- (vi) There is a need to organise a National Federation of industrial cooperatives whose membership may extend to the all India federations organised on a single industry basis as well as the apex industrial cooperative bodies. . . . . 146
- 13 (i) An experiment be tried of organising special training of members and directors of industrial cooperatives by the Committee for

- Cooperative Training of the National Cooperative Union of India. . . . . 147
- (ii) We would suggest the organisation of special orientation courses of 2 to 3 weeks' duration for those industries officers who are in charge of providing technical, financial and other facilities, supplies of controlled materials, issue of essentiality certificate for import licences, recommending units for government stores purchases and for hire purchase of machinery. . . . . 148
- 14 Data on all cooperatives in each state should be available with a single agency. We recommend preparation of a standard classification of industries, introduction of standard forms for collection of data and fixation of responsibility of compilation and supply of data on a statistical cell in the Cooperative Department, even in those states where industrial cooperatives are under the directorate of industries or any other department. Statistics should be published on cooperatives in important industries and the Reserve Bank of India may examine the inclusion in the statistical statements of items mentioned in this Report. . . . . 152
- 15 (i) Standing Advisory Committees for Cooperatives should be appointed by the Central Silk Board, the Coir Board and the Small Scale Industries Board. . . . . 154
- (ii) Selected officers of the Small Industries Service Institute, the National Small Industries Corporation and different boards should be trained in industrial cooperation so that pointed attention could be paid by them to the promotion of this sector. . . . . 154
- (iii) It would be necessary to have in the Ministry of Commerce & Industry a stronger organisation which could study the different problems of the industrial co-operatives and pursue with the state governments more vigorously the introduction and implementation of the programmes for industrial cooperatives. The various recommendations in this report require sustained action on the part of an officer higher in status

than a Director at the centre. The Ministry of Commerce and Industry's original proposal to have a Commissioner for Industrial Cooperatives supported by adequate staff should be revived and given effect to. . . . 154

- 16 (i) The question whether the administration of industrial cooperatives should remain with the Cooperative Department or the Industries Department continues to be raised from time to time. All things considered, the balance of advantage lies in keeping industrial cooperatives under the control of the Registrar of Cooperative Societies except, it seems, in the case of mechanised type of industries which may be placed under the Director of Industries. . . . 156

(ii) While the decision whether the work relating to the industrial cooperatives should remain with the cooperative department or be transferred to the Industries Department has to be left to the discretion of the State Government to suit the local needs of cooperatives and the set up of different administrative departments, we suggest that if the Registrar is in charge, he should be assisted by a technical officer of the status of a Joint Director of Industries preferably on deputation from the Industries Department. He should obtain the help of the technical staff of the Industries Department with regard to the economic and technical feasibility of the schemes. The State Government should place at his disposal necessary funds from out of the village and small industries head, for developing the societies and the Director of Industries should offer them technical guidance, quotas of controlled and imported raw materials and certificates required from him by different authorities in the same way as he would if they were under his control. . . . 159

(iii) If the Director is in charge he should be assisted by a Joint Registrar belonging to the cooperative cadre and with previous training and experience in cooperation and his field staff should get the help of inspectors in the Cooperative department in

framing the bye-laws of the society, and ensuring that the cooperative banks, cooperative unions and other cooperative institutions offer their unstinted services to develop the society. . . . . 160

(iv) The authorities registering the societies should also have statutory power of inspection which should be done through entirely separate field staff. In other words, if the Director of Industries is in charge, he should have separate field staff available at all levels for inspection and the industrial inspectors should, in such cases, obtain special training in cooperation. Similarly, if the Registrar of Cooperative Societies is in charge, he should earmark some inspectors for industrial work and they should receive special training on the technical side of industries. . . . . 160

(v) Promotion, organisation, registration, inspection and liquidation should be the responsibility of the same agency. Audit, arbitration and compilation of statistics should remain with the cooperative department in either case. In respect of societies registered by officers of the Industries department, the Registrar may prepare a panel of arbitrators in consultation with the Director of Industries and appoint nominees in consultation with him. . . . . 160

(vi) For ensuring coordination between the two departments, a two-man committee may be constituted at the Secretariat level consisting of the Secretaries of Industries and Cooperation with the senior of the two as Chairman. If there is a separate Secretary in-charge of village and small industries, he should also be a member of this committee. The Director of Industries and the Registrar of Cooperative Societies should be invited to the meeting of this Committee which should be held once a month. . . . . 160

(vii) State Government should pay special attention to the supervision of societies and appoint adequate number of supervisors for industrial cooperatives, who should not ordinarily be entrusted with any other work.

The supervisors may be appointed at the average rate of 1 for every 20 industrial co-operatives in all states for the next few years. . . . 161

(viii) The supervisors and other officers in charge of industrial cooperatives should not be transferred as far as possible for a period of three years. . . . 162

(ix) While the power of audit should remain with the Registrar of Cooperative Societies in all States, a separate group of auditors be trained for industrial cooperative work and maintained in every state in adequate numbers as a distinct group and a panel of certified auditors should also be drawn up whose services can be utilised to supplement the work of the departmental staff. In states where the Director of Industries is made responsible for all other regulatory functions, he should be associated with the preparation of the programmes for the audit of industrial cooperatives. Where there is a backlog of audit, it may be cleared as quickly as possible by the appointment of *ad hoc* staff. . . . 163

(x) The Registrar should be authorised to exempt cooperative societies working at loss from the whole or part of the levy of audit fees in deserving cases. . . . 164

(xi) Norms may be fixed for the work output of supervisors and auditors for different types of societies and work-load determined on the basis of number and type of than on a territorial basis. . . . 165

(xii) Forms of audit report be studied, suitable forms evolved and uniform standards for audit classification of different types of societies introduced. . . . 165

17 It would be desirable to orient officers in revitalisation work so that they would have the correct mental attitude towards languishing and dormant societies and can deal with their problems efficiently. Seminars of three or four days' duration for the field staff of government departments, co-operative institutions and also non-official

- workers from one or more districts, in which discussions are stimulated and guided by one or two experienced persons would be the most suitable means of achieving the desired results fairly quickly. The subject of revitalisation of languishing and dormant societies should also form an important part of the syllabus of cooperative training colleges, schools and special classes where training in industrial cooperation is imparted. A regular revitalisation programme will require careful examination of the working and position of each individual society at the hands of a competent person. Specific officers at the district and higher levels should be made responsible for seeing that approved revitalisation schemes of industrial cooperative are implemented and whatever action is necessary for that purpose is taken expeditiously and in time. The services of central financing agencies such as industrial cooperative banks, federations and prominent non-official leaders of well-managed societies should be fully utilised for the revitalisation work. The latter should be paid out-of-pocket expenses if they have to tour outside or travel long distances in the same city. Relaxation of rules may become necessary in certain cases. Six thousand societies should be revitalised by the end of the Third Plan. The fulfilment of this target will involve some additional expenditure on staff, management, grants to societies, fresh finance, etc. but such expenditure will be fruitful and fully justified.
- 167
- 168
- 172
- 177
- 18 The Central and State Governments and the National and State Cooperative unions fully explore the ways and means of bringing, for business and production purposes, societies in the same and different sectors together by creating organisational and other contacts between them at various levels, work out details and take steps to disseminate the knowledge of the schemes that may be prepared. . . . .
- 178
- 19 The State Governments should get their respective Cooperative Societies Acts examined

- in respect of the needs of industrial co-operatives. . . . . 179
- 20 (i) We are of the opinion that government assistance to augment the share capital of primary industrial cooperative societies should ordinarily be by way of share capital loans to their members, at the same time the present practice of government participation in the share capital of those primary industrial cooperative societies in whose case special circumstances require this type of assistance on an *ad hoc* basis should be continued. . . . . 183
- (ii) Government assistance in the form of participation in share capital is particularly suited to the federal type of cooperatives whose share capital has to be raised from other cooperative societies who are themselves usually weak. . . . . 184
- (iii) In the case of federal cooperatives that undertake initial, inter-mediary or final processing and that of industrial cooperative banks participation by government may normally be on a matching basis. . . . . 184-185
- (iv) We recommend share participation by government in the case of service type of federations up to three times the amount subscribed by the members. . . . . 186
- (v) The responsibility for redemption of government shares will have to be undertaken by the members who, in the case of primary society, should make it a convention to invest about 5% of their earnings in its shares. The societies on the other hand should as a convention invest at least 10% of their additional paid-up capital in the shares of the federation. . . . . 187
- (vi) It needs to be ensured that the society retains at least 50% of its owned funds for its own operations. . . . . 188
- 21 (i) The system advocated in the case of other industries is for the Director of Industries to give a loan to the member through the agency of the society which undertakes to



- collect the applications, bonds, receipts, etc. from him and make the required recoveries from his wages or sales proceeds. But the liability to repay the loans remains with the member, who issues a certificate entitling the government to forfeit his share and transfer them to any other member in case of default or desertion. This system is recommended to be preferred since the member assumes full responsibility for repayment of the loan and is made aware that he is investing the money in the society. . . . . 190
- (ii) Concerted efforts should be made by the government to use a larger portion of its provision for advancing share capital loans both to existing and prospective members of the societies. . . . . 191
- 22 (i) The period of repayment of loans advanced for land and buildings for workshops, etc. for SSI and other cooperatives be raised to 15 years and the first instalment be made repayable on the 4th anniversary of the disbursement of the loan. . . . . 198
- (ii) Industrial cooperatives that receive unconditional grants for equipment and other fixed assets under different programmes should, as a convention, transfer such grants to a depreciation fund. . . . . 199
- (iii) The amounts of contribution by the members to purchase additional shares, the cumulative total of which should not be less than the amount required to meet the instalment, should be determined before the society approaches the government or a financing agency for a term loan. . . . . 211
- 23 (a) Managerial grant from government to SSI and other cooperatives should cover the cost of (i) a manager or a secretary (ii) an accountant, (iii) an engineer, designer or similar other technician and (iv) a qualified or experienced salesman, appointed by the society. . . . . 205
- (b) While we agree that the cooperative industrial estates should not get any assistance

- higher than what their members would have received, had they occupied government owned estates, it would be desirable to assist the cooperative industrial estates by meeting a portion of their overhead costs on salaries of adequately qualified and experienced persons. Government may, therefore, extend to them a grant on a sliding scale of 100% for the first year, 75% for the second year, 50% for the third year and 25% for the fourth year towards the salary of a manager, an engineer and an accountant. The total incidence of this grant in our view will be lower than the concessions that are available to small industrialists in government owned industrial estates. . . . 206
- (c) The pattern for service federations should include, in addition to the salaries of the manager, accountant, technical staff, one inspector and a salesman, rent of office accommodation on the basis of 100% for the first year, 75% for the second year, 50% for the third year and 25% for the fourth year. . . . 207
- 24 Specific allocations should be made in each state budget for the development of industrial cooperatives under each group and also separately for such schemes as apply to more than one industrial group. (e.g. loans and grants to banks, associations, training institutions, etc.). . . . 212
- 25 (i) The possibilities of organising cooperative societies of small industrialists, occupying the workshops in the departmentally managed industrial estates to take over the ownership and management of these estates should be examined and a programme of gradual handing over of such estates to cooperatives should be prepared in each state. . . . 213
- (ii) The possibilities of formation of cooperative societies of those small industrial units, which have been regularly making use of the services of departmentally run common facility workshops, should be considered and a programme prepared of gradually handing them over to such cooperative societies. . . . 214

- 26 In circumstances where it is not feasible to meet the full requirements of industrial co-operatives on account of shortage of materials, the authorities concerned should allot at least sufficient quotas to keep them in continued and effective operations without incurring losses. We, therefore, recommend the allocation of separate quotas on these lines for controlled commodities to industrial cooperatives. These quotas should be channelled through the apex industrial coöperative institutions. . . . . 216
- 27 It is observed that those state governments that have come to grips with the problems of the industrial cooperative societies have considered it fit to allow industrial co-operative societies a 10% price preference over that allowed to small scale industrial units. In our view it would be necessary for other state governments as well as the Central Government to take similar steps in order to make their assistance to industrial coöperative effective. We recommend that the industrial cooperative societies should be allowed a price preference of not less than 6% as between the quotations of the small scale industrial units, and in the case of the Central Government and those state governments which have not already introduced a more liberal pattern, a 15% preference over the quotations of the large industrial units. . . . . 218
- 28 The facilities available to industrial co-operatives should be made available by the Ministry of Commerce & Industry to all types of cooperative processing units. . . . . 222
- 29 Industrial cooperatives whether federations or primaries can take the net profits accruing to them due to fluctuations of prices to a separate price fluctuation reserve. If, however, a cooperative incurs a substantial loss on account of price fluctuations in its early years before sufficient reserves are built up, it faces a crisis. By way of a tentative solution of this problem it is suggested that state governments or preferably the Khadi & Village Industries Commission should . . . . . 226

- create a guarantee fund for the benefit of such cooperatives according to the particular needs of each state. . . . . 227
- 30 (i) Rethinking about the specific content and corresponding amendment of section 17(2) (bb) of the Reserve Bank of India Act would be necessary to ensure the assistance of the Reserve Bank of India to enable the cooperative central financing agencies to extend adequate credit to industrial cooperatives. . . . . 230
- (ii) Direct incentive in the form of specific limits for financing industrial cooperatives as such would be more efficacious at the present juncture, and the Reserve Bank may in any case be requested, in implementing its declared policy, to evolve a suitable procedure so as to ensure that the accommodation it makes available to central financing agencies does in point of fact induce them to use their own resources for financing industrial cooperatives. . . . . 231
- (iii) The accommodation provided by the Reserve Bank of India is in the nature of a credit limit sanctioned to a state cooperative bank on behalf of a central cooperative bank or an apex/regional weavers society. The state governments may issue to the Reserve Bank of India a blanket guarantee within which may be accommodated the requirements of individual borrowing institutions recommended by the Registrar of Cooperative Societies. . . . . 232
- (iv) The central financing agencies which do not have experience of industrial financing have a fear that their overdues may be relatively high on account of this business. It will be necessary, therefore, for the Reserve Bank of India to deal with this aspect of Industrial finance in a way that would promote the integration of industrial finance with their other business. . . . . 233
- 31 Systematic efforts need to be made by the apex banks to pay due attention to the financing of industrial cooperatives. It is necessary

that a special wing is created in each apex cooperative bank for this purpose with a separate deputy manager and a cost accountant supported by adequate staff. This wing should work under a special committee for industrial finance, composed of the chairman and some directors of the bank, connected with industrial cooperatives, the Registrar of Cooperative Societies and the Director of Industries.

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- 32 (i) The Central financial agencies in all districts except those which are served by an industrial cooperative bank should similarly have separate wings for industrial finance with a deputy manager or a deputy secretary or any other special officer of the same rank, who should preferably have cost accounting knowledge and who should be supported by an adequate number of the inspectorial and other staff. Separate committees should be set up and representation allowed to industrial cooperatives on their boards by these agencies on the lines suggested by the First Working Group on Industrial Cooperatives.

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(ii) Government should pay to the central financing agencies a grant equivalent to 1% of the average outstanding amounts of loans and credits drawn by production type of industrial cooperative in the course of any given year. This contribution should be kept in a special bad debt fund to be maintained by the central financing agencies but not to be drawn upon except with the approval of the Registrar. Government should continue to make such payment every year until the special bad debt reserve amounts to 5% of the loans and credits sanctioned by central financing agencies and drawn by societies. Industrial cooperative banks also should be eligible for this assistance.

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(iii) A definite number say 20% of the central financing agencies should be persuaded to adopt all the measures suggested by the First Working Group on Industrial

Cooperatives every year. Sustained efforts will have to be made by the state governments and the Reserve Bank of India in this direction and a specific programme with targets indicating the central financing agencies and the amounts they would be expected to invest in industrial finance will have to be prepared and implemented. The central financing agencies should be able to provide additional credit to industrial cooperatives to the extent of Rs. 15 crores in the last year of the Third Plan. . . . .

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33

(i) It would be desirable not to disturb the present position of the Mysore State Co-operative Bank as the apex bank for the industrial cooperative sector also. The Mysore Central Cooperative Rural Industries Financing Bank may be oriented in banking practices and the methods of work of a regional industrial cooperative bank. It should have a trained and competent staff at the head quarters and in the field, convert itself into a regional bank and confine its activities to a compact area in which it can work intensively for promotion and development of cottage and small scale industries. It may, at the same time, continue to deal with the affiliated 'taluk' societies and urban banks in the State until they can be affiliated to appropriate central financing agencies including district industrial cooperative banks wherever they exist. . . . .

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(ii) It will be advisable for the U.P. Industrial Cooperative Bank to confine its activities to two or three districts. As weavers' and other industrial cooperatives from the whole state are members of the bank, some of the shares of such societies in the industrial bank could be transferred to central financing agencies. The bank has recently employed a retired officer of the State Bank of India as its manager and at our instance sent him and the Deputy Registrar of Industrial Cooperatives to visit the regional bank at Surat and the district bank at Sholapur. Whatever they saw and learnt at Surat and Sholapur it should

be utilised early for reorienting the working  
of the bank. . . . . 244

(iii) New district industrial cooperative banks may be organised where there is considerable concentration of small industrial units organised cooperatively or otherwise, there are fair prospects of their ability to raise deposits and the credit needs of the industrial cooperatives cannot be met adequately by the existing central financing agencies. . . . . 249

(iv) A district industrial cooperative bank should be registered after a minimum of Rs. 1.5 lakhs has been collected as initial share capital and an assurance to collect Rs. 1.0 lakh more in the course of the next two years is forthcoming. Government should contribute equity share capital on a matching basis equal to the paid-up capital otherwise collected by the bank. There should be no objection if government nominates the first board of directors for a period of two years but the official members of the board should not be more than three and the rest of the directors should be drawn from representatives of industrial cooperatives, small scale industrialists and sympathisers of good standing who are conversant with banking and business practices. Exclusive of the officials, the representatives of industrial cooperatives on the board should be in a majority. It would be desirable for the banks to use the bye-laws of the Southern Gujarat Industrial Cooperative Bank or the Sholapur District Industrial Cooperative Bank as a model with such modifications as may be required to suit local circumstances. Subsidies should be given to the banks under the staff subsidy scheme. They should be used as agency for routing government funds to industrial cooperatives and to small industrialists. Care will have to be taken to initiate the necessary measures for appointment of trained staff etc. It would be a great advantage if important members of the administrative and inspectorial staff are allowed an opportunity at government cost to visit the industrial banks at Surat and

- Sholapur and spend at least ten days at each place studying the working of the banks at headquarters and at branches and accompanying inspectors on their inspection tours. . . . 250
- (v) The position in regard to deposits has changed somewhat radically of late on account of the deposit insurance scheme introduced for joint stock banks. Unless a similar scheme is also devised for industrial cooperative banks, it would not be fair to expect the new banks to attract substantial deposits. The subject is understood to be engaging the attention of all concerned for all cooperative banks. We assume that the insurance scheme that will thus emerge will be applicable to the industrial cooperative banks as well. . . . 251
- (vi) The formula of the Reserve Bank of India for weavers' finance, which was evolved keeping in view of other limits allowed to the normal central financing agencies, becomes distinctly restrictive in its application to industrial cooperative banks who have no other limits. We have, therefore, to suggest that the Reserve Bank may consider allowing accommodation up to a higher multiple of owned funds in regard to these banks. . . . 253
- (vii) The industrial cooperative banks should be allowed to attract the surplus funds of those urban cooperative banks which do not enjoy credit facilities from the other central financing agencies and which are engaged largely in industrial finance. . . . 254
- 34 Government and Khadi & Village Industries loans should be routed through central financing agencies and not through 'panchayat samitis'. . . . 256
- 35 For the benefit of societies in industries other than cotton handlooms, loans should be made available to the apex banks by government in place of Reserve Bank of India loans. . . . 257
- Government loans may be made repayable by the banks in ten years, in 5 equal annual instalments, the first instalment falling due on



the sixth anniversary of the drawal of the loan. As far as the industrial cooperatives are concerned, this should be advanced on a short term or medium term basis as the case may be on usual banking terms and conditions. The quantum of the funds to be advanced to an apex bank may be determined on the basis of the estimated requirements during the year. The funds may be placed at the disposal of the central cooperative banks by apex banks and the former may continue to receive the same 90% guarantee and may thus bear no more than the same 10% risk. This system will enable the central financing agencies to advance larger funds from out of their own resources to societies in industries other than handloom. As these instalments are repaid, it is expected that the cooperative banks would replace them by further advances from their own funds. Funds may be advanced to the apex banks at a rate of interest equivalent to the Reserve Bank of India rate, namely,  $4\frac{1}{2}\%$  and the banks may be paid a subsidy by government to meet their overhead expenditure at the rates suggested by us in para 260.

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- 36 Ordinarily at the point of production, the rate of interest to be charged to a small industrialist or an industrial cooperative society should be somewhat favourable but not higher than what the medium and large scale industries have to pay. It would be desirable to rationalise the rates in such a way that they are uniform for the same purpose, irrespective of the source of funds, that is, whether the funds come from government or are raised by cooperative banks from the public. Ordinarily the rate of interest to be charged to an industrial cooperative should not be less than the Reserve Bank rate *i.e.*  $4\frac{1}{2}\%$ . It may be necessary to charge lower rate to groups of societies that are organised with socio-economic considerations and require a longer period of promotional assistance. This may be also necessary in case of conversion of rebates into a consolidated concession in the form of reduced rates of interest. The rate

to be charged to an individual small industrialist may reasonably be placed at 2% higher than that charged to an industrial co-operative in the same category of industries. The rate of interest on government loans to them would accordingly be  $6\frac{1}{2}\%$  which will be on par with the rate charged by the State Bank of India under its liberalised scheme for financing small industries. The state should, however, give adequate grants to the financial institutions to cover their overhead costs and also an element of risk of losses so as to enable them to advance loans at the prescribed reasonable rate of interest. This grant would be at the rate of 3 to  $3\frac{1}{2}\%$  on the average of daily balances of advances of the central financing agencies to industrial co-operative societies and urban cooperative banks for industrial purposes. For the sake of convenience and easy calculation, however, an alternative arrangement would be to give them a grant at the prescribed rate on the advances outstanding on a date to be agreed upon between the apex bank and the state government. The rate of grant for the overheads may be correspondingly reduced if a higher rate of interest is prescribed by government in favour of particular classes of industrial cooperatives. Conversely, the grant may be increased in case a lower rate is prescribed. On loans advanced by the industrial cooperative banks and district cooperative banks to individual small industrialists and craftsmen directly, the grant would be 1 to  $1\frac{1}{2}\%$ . Except in states where the central financing agencies are well developed and have a large turnover, the grant for overhead expenditure may be fixed so as to allow the apex and the district central banks to have a total margin of  $3\frac{1}{2}\%$  between the borrowing rate of the apex bank and the ultimate lending rate to industrial cooperatives.

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- 37 (i) Both the credit guarantee scheme and the 90% guarantee schemes have their advantages and it would be for the financing agency to choose which of the two schemes will offer to it greater security in the light of

- the age and strength of the industrial co-operatives to be financed. . . . . 266
- (ii) The 90% guarantee scheme should be continued as a regular scheme. . . . . 266
- (iii) In the case of some industrial co-operatives like those in KVI and those of the economically backward members a 100% guarantee would be necessary to persuade the banks to finance them. The standing of each such society can be reviewed every two or three years to decide when the 100% guarantee could be stopped and it could be brought under the 90% guarantee scheme. . . . . 269
- 38 (i) A list of the areas where the State bank of India and its subsidiaries are expected to operate should be conveyed to them early by the state governments and the benefits of the 90% guarantee schemes and the concessional rate of interest scheme should be extended to loans advanced by them. . . . . 270
- (ii) Details of participation arrangements between industrial cooperative banks and the State Bank of India should be worked out and tried out on an experimental basis in the first instance. . . . . 271
- 39 Accommodation from the state financial corporations and the Industrial Finance Corporation could be facilitated if the margin of security could be relaxed in certain cases against State Government guarantees. . . . . 272
- 40 (i) The Cooperative Acts may be suitably amended to allow the registration of hypothecation charges with the Registrars of Cooperative Societies so that the banks can get security from these charges as they do in the case of joint stock companies. . . . . 274
- (ii) The forms of agreements in case of government loans should be suitably modified so as to restrict the charge of government to the assets created out of the loans or to include a clause to the effect that so far as short and medium term loans advanced by banks against the pledge or hypothecation of goods are concerned, they would have the

- first charge and the government's charge  
would be subordinated to it. . . . . 275
- 41 (a) In the Fourth Plan attention needs  
to be directed to strengthening the industrial  
cooperatives and putting them on a sounder  
footing whereby they could provide better  
service and fuller employment to their mem-  
bers. Greater emphasis will, therefore, have  
to be placed on augmenting the owned funds  
of the industrial cooperatives and, with this  
end in view, a larger portion of government  
funds may have to be used for share capital  
loans. The main programme for the weavers'  
cooperatives should aim at (i) increasing 280  
their self-sufficiency in the supply of yarn by  
setting up a larger number of cooperative  
**spinning mills** and (ii) improving production 281  
through different types of **common processing**  
units. The main increase in the number of co-  
operatives and their membership should be in  
other industries where an attempt should be  
made to organise 50% of the small factories  
and industrial households in the urban and  
rural areas into cooperatives. While it will be  
necessary to continue the existing grant  
patterns, steps will have to be taken to see that  
the proportion of grants to the total Fourth  
Plan provision is reduced as a result of larger  
expenditure on technical improvements and 281  
share capital loans. In the field of mechanised  
industries, we expect a faster growth in the  
cooperatives of small industrialists, most of  
which will be service cooperatives. . . . . 283
- (b) Our estimates are 68,000 industrial  
cooperatives at the end of the Fourth Plan  
with a membership of 65 lakhs and working  
capital of Rs. 250 crores. . . . . 288-290
- (c) Government expenditure on grants,  
rebates, development measures and other  
revenue items may be Rs. 65 crores and on  
share capital loans, share participation, loans  
for equipment, work sheds, etc., to societies  
and loans to banks Rs. 100 crores. Our  
estimate thus is a Fourth Plan provision of  
Rs. 165 crores by government for coopera-  
tive development of industries.

## APPENDICES



सत्यमेव जयते

APPENDIX 'A'

**Copy of Memorandum No. 9(25)/62-ICC, of the Ministry of Commerce & Industry, Government of India, dated the 5th September, 1962.**

**SUBJECT : Working Group on Industrial Cooperatives—Constitution of.**

The undersigned is directed to say that the President is pleased to set up a Working Group to be called the 'Working Group on Industrial Cooperatives' to review the present position of industrial cooperatives, recommend specific programmes and physical targets during the Third Five Year Plan and indicate the lines of development of industrial cooperatives in the Fourth Five Year Plan. It will consist of the following:—

- |  |                 |
|--|-----------------|
| 1. Shri B. P. Patel, Adviser,<br>Planning Commission.  | <i>Chairman</i> |
| 2. Shri K. V. Venkatachalam,<br>Joint Secretary,<br>Ministry of Commerce & Industry.   | <i>Member</i>   |
| 3. Shri M. P. Bhargava,<br>Additional Cooperative Commissioner,<br>Ministry of Community Development,<br>Panchayati Raj & Cooperation. | ..              |
| 4. Shri Brahm Prakash,<br>Member Parliament.   | ..              |
| 5. Shri D. A. Shah,<br>Chairman,<br>Cooperative Advisory Committee,<br>Khadi and Village Industries<br>Commission.                     | ..              |
| 6. Chief Officer,<br>Agricultural Credit Department,<br>Reserve Bank of India, Bombay.   | ..              |
| 7. Shri M. L. Batra,<br>Chief Officer,<br>Rural Credit Section,<br>State Bank of India, Bombay.  | ..              |
| 8. Shri Gandharva Sain,<br>Director,<br>Small Industries Service Institute,<br>New Delhi.  | ..              |
| 9. Shri F. N. Rana,<br>Secretary,<br>Industries Department,<br>Government of Gujarat.  | ..              |

- |   |                          |
|---|--------------------------|
| 10. Shri S. R. Varma,<br>Managing Director,<br>Punjab Financial Corporation,<br>Chandigarh.     | <i>Member</i>            |
| 11. Shri P. Sabanayagam,<br>Director of Industries & Commerce,<br>Government of Madras.         | "                        |
| 12. Shri Tarapada Chaudhary,<br>Chairman, West Bengal State Cooperative Bank<br>Ltd., Calcutta. | "                        |
| 13. Shri L. N. Renu,<br>Director, Industrial Cooperatives,<br>Ministry of Commerce & Industry.  | <i>Member-Secretary.</i> |

2. The terms of reference to the above Group will be:—

1. To review the present position of Industrial cooperatives;
2. To recommend specific programmes and physical targets for the organisation of cooperatives during the Third Five Year Plan period and to make recommendations for allocating to cooperatives a certain portion of the funds provided for the entire sector;
3. To suggest patterns of financial assistance from the Government;
4. To assess financial requirements of cooperatives at various levels and suggest ways and means of meeting them; and
5. To indicate the lines of development of industrial cooperatives in the Fourth Plan.

3. The Working Group will submit a report as early as possible and in any case within six months of its formation.

4. The Group may undertake tours as and when necessary and may also record the evidence of individuals and associations who have expert knowledge of the subject.

5. Non-official members and invitees of the Group will draw travelling allowance and daily allowance in connection with the work of the Group at the rates prescribed in the Ministry of Finance Memorandum No. F. 6(26)E.IV/59, dated 5th September, 1960 as amended from time to time.

6. The official members and the Secretary to the Group will draw travelling allowance and daily allowance under the normal rules applicable to them.

7. Shri Hargundas, Under Secretary, Ministry of Commerce & Industry will be the controlling officer in respect of the travelling allowances etc. of the non-official members and invitees of the Working Group.

8. Expenditure involved will be debitable to Major Head 19 General Administration A—Department of Commerce, Industry & International Trade—A3—Allowances and Honoraria for 1962-63.

Sd/- S. Ranganathan,  
Secretary to the Govt. of India.

**Copy of Memorandum No. 9(25)/62-ICC, of the Ministry of Commerce & Industry, Government of India, dated the 31st October, 1962.**

**SUBJECT :** *Second Working Group on Industrial Cooperatives—Constitution of.*

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The undersigned is directed to refer to this Ministry's Memorandum of even number, dated the 5th September, 1962 on the above mentioned subject and to say that Shri B. K. Chatterjee, Managing Director, M.P. Financial Corporation, Indore has been appointed member of the Working Group on Industrial Cooperatives *vice* Shri S. R. Varma, Managing Director, Punjab Financial Corporation, Chandigarh.

Sd/- K. V. Venkatachalam  
Joint Secretary to the Govt. of India.

**Copy of Memorandum No. 9(25)/62-ICC, of the Ministry of Commerce & Industry, Government of India, dated the 30th November, 1962.**

**SUBJECT :** *Second Working Group on Industrial Cooperatives—Constitution of.*

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The undersigned is directed to refer to this Ministry's Memos of even number, dated the 5th September and the 31st October, 1962 on the above mentioned subject and to say that Shri Nagendra Kumar Bhattacharyya, Vice-Chairman, West Bengal Provincial Cooperative Bank Ltd., Calcutta has been appointed member of the Working Group on Industrial Cooperatives *vice* Shri Tarapada Chaudhary since expired.

Sd/- K. V. Venkatachalam  
Joint Secretary to the Govt. of India.

**Copy of Memorandum No. 9(25)/62-ICC, of the Ministry of Commerce & Industry, Government of India, dated the 10th April, 1963.**

**SUBJECT :** *Second Working Group on Industrial Cooperatives—Constitution of.*

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In partial modification of para 3 of this Ministry's Memorandum of even number, dated the 5th September, 1962 the undersigned is directed to say that the Working Group may submit its report by the end of May, 1963.

Sd/- S. Ranganathan,  
Secretary to the Govt. of India.

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# APPENDIX 'B'

## MEETINGS AND VISITS OF THE WORKING GROUP

Date	Place	
6-9-62	New Delhi	First meeting.
7-9-62	New Delhi	Visits
3-10-62	Ludhiana	Meeting & visits.
4-10-62	Lucknow	Meeting.
5-10-62	Kanpur	Meeting & visits.
17-10-62 } and 18-10-62 }	Calcutta	-do-
19-10-62	Durgapur	Visit by Chairman.
1-11-62	Bombay	Meeting & visits.
2-11-62	Surat	-do-
3-11-62	Bombay	-do-
15-11-62	Hyderabad	-do-
16-11-62 } to 18-11-62 }	Madras	-do-
3-12-62	Jaipur	Visit by Chairman and Member-Secretary.
20-12-62	New Delhi	Meeting.
4-1-63	Bhopal	Visit by Chairman and some Members.
16-1-63 } and 17-1-63 }	Bombay	Meeting.
25-2-63	Bangalore	Visit by Chairman and some Members.
26-2-63	Trivandrum	-do-
22-3-63 } and 23-3-63 }	New Delhi	Meeting
18-4-63 } and 19-4-63 }	-do-	-do-
6-5-63	-do-	-do-

# APPENDIX 'C'

## NAMES OF SOCIETIES VISITED BY THE SECOND WORKING GROUP ON INDUSTRIAL COOPERATIVES

<i>S.No.</i>	<i>Name of the Society</i>	<i>State/Union Territory</i>
1.	The Federation of Industrial Cooperatives Hyderabad and the society working in its premises.	Andhra Pradesh.
2.	The Bidri & Himroo Industrial Cooperative Societies, Hyderabad.	Andhra Pradesh.
3.	The Neta Cooperative Spinning Mills Ltd., Hyderabad.	Andhra Pradesh.
4.	The Teli Industrial Cooperative Societies Ltd., Hyderabad.	Andhra Pradesh.
5.	The Southern Gujarat Industrial Cooperative Bank Ltd.	Gujarat.
6.	The Surat Vankar Sahakari Sangh Ltd., Surat ..	Gujarat.
7.	The Udhna Udyognagar Sahakari Sangh Ltd. ..	Gujarat.
8.	The Tiruvallam—Pachallur Coir Vyavasaya Cooperative Society Ltd.	Kerala.
9.	The Kancheepuram Kamatchiamman Silk Weavers' Cooperative Production & Sale Society Ltd.	Madras.
10.	Kancheepuram Metal Workers' Industrial Cooperative Society Ltd.	Madras.
11.	The Kancheepuram Oil Producers Cooperative Cottage Industrial Society Limited.	Madras.
12.	The Kancheepuram Sudar Match Workers' Industrial Cooperative Society Ltd.	Madras.
13.	The Perambur, Arundatheyar Leather Workers' Cooperative Society Ltd., Madras.	Madras.
14.	The Reid Cooperative Timber Works Ltd., Madras	Madras.
15.	The Sriperumbudur Bolt & Nuts Manufacturers' Cooperative Society.	Madras.
16.	The Charmakar Producers' Cooperative Society, Bombay.	Maharashtra.
17.	The Greater Bombay Industrial Development Cooperative Estate Ltd., Kurla.	Maharashtra.
18.	The Industrial Abrasive Cooperative Society Mor-Uran, Bombay.	Maharashtra.
19.	The Modern Tanners Cooperative Society Ltd., Bombay.	Maharashtra.

<i>S.No.</i>	<i>Name of the Society</i>	<i>State/Union Territory</i>
20.	The Mysore Central Cooperative Rural Industrial Financing Bank, Bangalore.	Mysore.
21.	The Gurukalgidhar Machinery Cooperative Industrial Society Ltd., Ludhiana.	Punjab.
22.	The Ludhiana Measuring Tape Cooperative Industrial Society Ltd., Ludhiana.	Punjab.
23.	Swadeshi Hosiery Cooperative Society Ltd., Ludhiana.	Punjab.
24.	The Wattganj Hosiery Cooperative Society, Ludhiana.	Punjab.
25.	The Musical Instruments Producers Cooperative Society Ltd., Jaipur.	Rajasthan.
26.	The Vijay Stove & Lamp Cooperative Society Ltd., Jaipur.	Rajasthan.
27.	The U.P. Rajya Tad Gur Sahakari Sangh, Kanpur	Uttar Pradesh.
28.	The Bunkar Cooperative Syndicate Ltd., Kanpur	Uttar Pradesh.
29.	The Dipika Nirmatri Grah Udyog Sahakari Samiti Ltd., Nawabganj, Kanpur.	Uttar Pradesh.
30.	The Kagaj Udyog Sahakari Samiti Ltd., Old Kanpur.	Uttar Pradesh.
31.	The Kanpur Industrial Development Cooperative Estate Ltd., Kanpur.	Uttar Pradesh.
32.	The U.P. Cooperative Knitting and Weaving Society Ltd., Kanpur.	Uttar Pradesh.
33.	The U.P. Industrial Cooperative Bank Ltd., Kanpur.	Uttar Pradesh.
34.	The Engineering Workmen's Cooperative Society Ltd., Calcutta.	West Bengal.
35.	The Haltu Industrial Cooperative Society Ltd., Haltu District 24-Parganas.	West Bengal.
36.	The Heavy Engineering Corporation Ltd., Durgapur.	West Bengal.
37.	The Vivekananda Sharama—Sree Cooperative Society Ltd., Calcutta.	West Bengal.
38.	The Capital Cooperative Industrial Society Ltd., Delhi.	Delhi.
39.	The Delhi Garment Cooperative Industrial Society Ltd., Delhi.	Delhi.
40.	The Janata Steel & Metal Cooperative Industrial Society Ltd., Delhi.	Delhi.

## APPENDIX 'D'

### CASE HISTORIES OF SELECTED INDUSTRIAL COOPERATIVES

#### I. The Fan and Sewing Machine Components Manufacturing Cooperative Society Ltd., Calcutta.

There were a number of workshops around the Jay Engineering Works Ltd., Calcutta, which were supplying components and fittings for the various products of the Jay Engineering Works. The workers employed in these workshops were being exploited by the workshops' owners and were not getting adequate returns for their labour. Therefore they decided to organise themselves into a cooperative society to undertake production of these fittings and components. Guidance in the organisation of the society came also from the management of the Jay Engineering Works which actively supported the formation of such a society. The society was formed in July, 1960, with a small share capital of 440 rupees. To start with, the society employed only 6 workers. The share capital has gone up to Rs. 12,180 and there are 142 worker members of the society. Apart from manufacturing the fittings and components for the fans and sewing machines for the Jay Engineering Works the society has also recently started a tailoring section to provide work to more members. The society has so far supplied goods to Jay Engineering Works totalling Rs. 1,45,780 and has been able to disburse wages to its members to the tune of Rs. 1,03,092.

As a result of the functioning of the society the condition of the workers who were previously very ill-paid has improved considerably. The monthly average income of ordinary workers is Rs. 88 while that of the technicians is up to Rs. 288. The total assets of the society stand at about Rs. 75,000 as on 30-6-1962.

#### II. Industrial Abrasive Cooperative Society Ltd., Mora-Uran, Maharashtra.

In April 1959, Messrs Grind-Well Abrasive Ltd., a leading Abrasive concern in the country, carried out large scale retrenchment affecting about 350 workmen at their factory at Mora-Uran in the Kolaba District. Some of the retrenched workmen came together and organised themselves into an Industrial Cooperative Society named as the Industrial Cooperative Abrasive Society to undertake manufacture of grinding wheels and other abrasive products. It was registered on 9-9-59 and is the only cooperative society of its kind in the country.

The Abrasives in common use can be classified into four categories, viz., the grinding wheels used for sharpening of tools and removal of metals, mounted points and wheels used for internal grinding of metals, rubbing bricks and blocks used for marble polishing and segments used for grinding of metals. The iron and steels concerns railway workshops and machine manufacturing concerns are the principal users of abrasives. Among other industries which need abrasives are the glass, rubber, copper, aluminium and stainless steel industries. The basic raw materials used for the manufacture of abrasives is called the abrasive grain which is of two kinds, viz., aluminium oxide which includes aluminium oxide brown and aluminium oxide white and silicon carbide which includes silicon carbide black and silicon carbide green.

There were about 180 members at the time of registration and now there are 210 members out of whom 130 members are skilled workers and 80 unskilled workers. It has a share capital of Rs. 94,525 on 30-6-62 and reserve and other funds Rs. 12,703. The board of directors consists of nine members, three directors representing Government, five directors from members of 'A' class and one director from members of 'C' class. Government nomination has already been withdrawn. The term of office of the board is 3 years.

The first year after registration was spent in construction of factory premises which consist of three big size sheds and an office with a total area of 5,470 sq. yds. and two medium size kilns and small trail kiln. The society has two generating sets, eight turning lathes, one shaping machine, one grinding machine, three hydraulic pressing plants, one ball mill, one mixing machine, one sieving machine, three dressing machines, six dressing lathes, two speed testing machines, balancing pins, one air compressor, blowers, burners and one pyrometer. The 350-tons Hydraulic pressing plant was manufactured by the society in its repairshop.

The society received a Government grant of Rs. 6,100 and a loan of Rs. 8,500 for the construction of the shed, purchase of tools and equipment and meeting secretarial expenses. A share capital loan of Rs. 35,000 was also advanced by the State Government. In addition the cooperative bank sanctioned to it a medium term loan of Rs. 56,500 for tools and equipment and hypothecation, pledge, and cash credit limits of Rs. 6.75 lakhs.

The society started production in November 1960. It has reached a stage where its sales enable it to produce at full capacity, i.e., 15 tons per month. Its total sales from November 1960 to June 1962 were of Rs. 6.98 lakhs. Its customers are mostly private parties, some of whom are well known engineering firms. Central Railway also purchases the abrasives manufactured by it. It paid Rs. 62,818 as wages to its member workers in 1961-62. It is unable to extend its activities due to shortage of raw materials, especially the imported items, namely, abrasive grain.

### **III. The Bidri Industrial Cooperative Societies at Hyderabad in Andhra Pradesh.**

The Bidri craft derives its name from Bidar where it originated and developed in the course of centuries. In the former Hyderabad State of which Bidar formed a district, the Hyderabad City provided the main out-let for the Bidri articles. In fact this is one of the considerations that prompted some of the Bidri artisans to migrate from Bidar and settle down in Hyderabad, on eve of the formation of the new State of Andhra Pradesh. The Andhra Pradesh Government has taken various steps towards the development of the Bidri Industry in its new home in Hyderabad.

One of these steps has been the organisation of the Bidri artisans into cooperative societies as part of the State Government's programme for organising the several handicraft artisans on cooperative lines. Thus two cooperative societies were organised in October 1958 for the Bidri artisans settled in the Sultanshahi area and the Nampalli area of the Hyderabad City. These societies are respectively designated as the Muntaz Bidri Industrial Cooperative Society Ltd., and the Gulistan Bidri Industrial Cooperative Society Ltd. With the setting up of a common facility Centre by the State Government at Darushafa, which is a central locality in the city, the two societies have shifted to the centre.

Since 1960-61 the members of the two societies have been working in the premises of the common facility centre which has two separate wings besides a common hall.

The Muntaz Bidri Workers Society had 21 members in 1960-61 and a share capital of Rs. 2,360. Its production was Rs. 39,000 and sales Rs. 29,132 which allowed it to pay Rs. 13,695 as wages and earn a profit of Rs. 285 in that year. The membership of the other society was 24, share capital Rs. 3,680, production Rs. 32,500, sales Rs. 25,643 in 1960-61. It paid Rs. 9,803 as wages and earned a profit of Rs. 954.

The member societies are devoted to their craft. The Handicrafts Emporia set up by the State Government have been lending them valuable support by selling a major portion of their goods. With the guidance and assistance of the Department, the two societies have been able to attract most of the workers in the line and to give an organised direction to the development of the craft. They have been able to train 15 more artisans and revive a number of traditional designs.

During the last four years working capital loans amounting to Rs. 15,000 have been given by the government to the two societies besides grants of Rs. 13,800 for management and a non-recurring grant of Rs. 10,000 for equipment and machinery. Loans have also been given to the members aggregating to Rs. 16,000 under the scheme of the relief of unemployment in the greater city of Hyderabad. The non-recurring grant of Rs. 10,000 has been utilised towards the installation of small machines like the lathe, the buffing machine and the shaping machine. The common facility centre set up by the State Government cost Rs. 10,000. The machines are made use of in common by both the societies. The employment of these machines has made it possible to simplify and quicken the production processes and also realise economies in costs. The effect of these has been reflected in reduction of prices to a certain degree. This combined with the efforts made to revive and popularise more and more designs with accent on utility aspect has facilitated the production of a wide range of articles with improved uniformity and finish.

The All India Handicrafts Board has helped the societies in improving design and quality. The Research and Design Centre being established at Hyderabad will devote its efforts towards making new designs and results of research in processes available to Bidri artisans. As a step to increase the popularity of their products standards specifications have been drawn up and a scheme of quality marking has been introduced.

#### **IV. The Weavers Cooperative Society Ltd., Chanderi, Madhya Pradesh.**

The Chanderi Textiles are known for their beauty and elegance since ages. The late Madhao Rao Sindhia, the then ruler of Gwalior, established the Chanderi Textiles to revive the deteriorating weaving industry. The Government in the year 1946 established a Weavers' Helper and Mutual Cooperative Society, the activities of which were, however, limited to distribution of oil, food and yarn to its members. The society's position remained weak for some years. It was revived in the year 1953. The membership of the society was 150 in 1953-54 and its share capital Rs. 1,005. Since then the membership and the share capital gradually increased to 561 and Rs. 9,990 respectively by 1961 and reserves to Rs. 19,953.

The society has been formed with the object of promoting the economic interests of the weavers of Chanderi, distribution of yarn and marketing of products in the country and abroad. It also gives practical demonstration to popularise the use of improved appliances. It has arranged from its own profits, free training of some children of the weavers in latest techniques of weaving. The society distributes yarn to its members at cost price. The weavers work in their houses on yarn supplied by the society.

The production of the society consists of cotton silk and zari products, viz., Sarees, Blouse pieces, Dupattas, Pugries, etc. The cost per piece range from Rs. 25 to Rs. 200. Pure silk of 13/15 denier in the warp and cotton yarn of 80s to 200s is used in the weft. The cotton requirements amount to 40 to 50 bales per annum while that for silk 30 to 35 bales. The sarees of Chanderi are well known for their 'buti' work which adds to their beauty and attraction. The buti work is done both in zari and cotton. Even in cheaper sarees the cotton buti work has earned wide appreciation and good name for the Chanderi Textiles. The annual requirements of zari is Rs. 3,00,000. The annual production of the Chanderi sarees is Rs. 15,00,000 of which the production of the society was goods worth Rs. 1.78 lakhs in 1960-61.

The use of improved appliances has also been encouraged by the society and by the Chanderi training-cum-production centre. On the old and antiquated throw shuttle looms two weavers were required to work on one loom. This naturally, reduced their income. The use of fly shuttle looms introduced by the centre and the society has enabled the weaver to work individually on a loom and has also enhanced production per loom. Due to prejudices and misunderstanding, a good deal of effort was required to introduce improved technique. The use of improved appliances and technique has helped to raise the average earnings of a weaver from Rs. 3 to Rs. 4 per day to Rs. 5 to Rs. 7 a day. Their demands for these appliances have therefore been increasing.

The society was advanced a loan of Rs. 67,250 by government out of which an amount of Rs. 37,250 remained to be paid on 30-6-61. The working capital of the society was Rs. 90,237. The society has also been sanctioned a loan of Rs. 35,000 by the Department and a credit of Rs. 25,000 by the Guna Cooperative Central Bank.

The Central Silk Board has allotted a quota of 2 bales per month for Japanese raw silk to the society. The zari requirements are obtained from Surat dealers. Chanderi is situated some 24 miles away from the nearest railway station. Entire receipts or dispatches are made either through post parcels or by bus. The society has virtually no marketing problems. The Government emporia, Exhibitions, and publicity and sale propaganda carried on by various departmental agencies have created a wide market for Chanderi products so much so that Society's products are in short supply. It sold goods worth Rs. 1.95 lakhs in 1960-61 and earned a profit of Rs. 6,322.

#### **V. The Tiruvallam-Pachallur Coir Vyavasaya Cooperative Society Ltd., Tiruvallam, Kerala.**

In pursuance of the policy adopted by the Government of Kerala, in helping the workers engaged in the coir industry to organise themselves into cooperatives and obtain State assistance, several Coir Cooperative Societies were actively being assisted. The Tiruvallam-Pachallur Coir Vyavasaya Cooperative Society Ltd., was one among them. It was registered in 1950 and started functioning the same year. The two villages

together cover about 2,000 families of whom approximately 700 are engaged in the coir business.

In June, 1959 there were 488 members in the society. The membership rose to 581 by the end of June, 1961. The number of shares and share capital increased from 2,137 and Rs. 7,188 to 2,230 and Rs. 8,030 respectively during the two years, 1959-60 and 1960-61. The State Government had advanced a loan of Rs. 50,000 to the society of which Rs. 1,000 has been repaid. The Managing Committee consists of 7 directors who are elected by the General Body for a term of 3 years.

*Retting of Husks* : At the beginning of the year 1960-61, nearly 8,60,000 husks were under retting. During the year another 16,25,000 husks were added to the stock thus making a total of 24,85,000 husks. Out of this 13,65,000 retted husks were sold to members and 28,000 utilised for producing coir yarn directly by the society leaving a balance of 10,92,000 husks on hand as on 30th June, 1961. From the above transaction, the society earned a profit of Rs. 8,446.36.

*Spinning of Coir yarn* : 28,000 husks were utilised to spinning 9 tons and 10 cwt of yarn by the society. A sum of Rs. 2,413.52 was paid as wages. Including the balance of 2 tons and 5 cwt of yarn which was in stock at the beginning of the year, 11 tons and 15 cwt was sold through the Alleppy Central Coir Marketing Cooperative Society for a sum of Rs. 3,531.56. From this transaction a sum of Rs. 544.79 was earned as profit. Wages are paid to member workers according to the Minimum Wages Act. Apart from this, bonus has also been paid during the last few years.

*Sales of Coir yarn on Commission basis* : In addition to selling yarn produced on its own account, the society also sells yarn produced by its members, which it keeps on a consignment basis and against which it pays an advance to the members. At the beginning of the year, there was a stock of 29 tons and 15 cwt coir yarn in the godowns of the society and 110 tons with the Alleppy Central Coir Marketing Cooperative Society. During the year, the society received 1,308 tons and 17 cwt. of yarn making a total stock of 1,448 tons and 12 cwt. Of this stock, 1,336 tons was sold during the year 1960-61; 1,267 tons through the Alleppy Central Coir Marketing Cooperative Society and 69 tons by direct sale by the society itself, leaving a closing stock of 112 tons and 12 cwt. (31 tons in the societies godowns and 81 tons and 12 cwt with the Alleppy Central Coir Marketing Cooperative Society). From the above activities, a sum of Rs. 3,909.80 nP. was earned as commission.

*Other activities* : The society has shares in the Alleppy Central Coir Marketing Cooperative Society, The Kerala State Cooperative Bank, and The Neyyattinkara Cooperative Taluk Bank. The society was running a fair price shop for the benefit of its members. During the current year, however, it had to be closed due to various difficulties, especially on account of losses sustained in the past.

#### **VI. The Kancheepuram Oil Producers Cooperative Cottage Industrial Society Limited.**

The Society was registered on 21-11-1956 with the object of improving the Ghani Oil Industry in the area and the economic conditions of the to avoid these practices by the members.

On 31-10-1962 there were 23 members with a paid-up share capital of Rs. 4,770 of which a sum of Rs. 4,025 was advanced by the Khadi



and Village Industries Commission as share capital loan. The Commission had also provided a working capital loan of Rs. 4,975 and the State Khadi and Village Industries Board Rs. 25,000. The total outstanding loan therefore amounted to Rs. 34,000. The reserve fund created by the society was only Rs. 974. The subsidy of Rs. 3,000 from the Khadi and Village Industries Commission was added to it. The borrowing power of the society is fixed at ten times the paid-up share capital plus reserve fund, i.e., Rs. 87,446.

The board of directors, according to the bye-laws of the society should consist of 7 members, of whom at least 5 were to be oil presser members. The present board was elected on 18-8-1961 for one year term, consisting of 5 members of whom 4 were oil pressing members. One junior inspector free of cost is working as the secretary of the society. Apart from the secretary the society has engaged one clerk and one salesman.

Except in the year 1957-58 when the society earned a profit of Rs. 2,581, it has been incurring losses on an average of Rs. 10,000 per annum due to the fact that the ghanies were in the respective houses of the members and the oil extraction used to take place there. The members being either used to sell good oil in the open market and get higher prices or deliver to the society lesser quantity of oil with the explanation that the quality of the seed supplied was not quite good. The society had therefore, started languishing and steps had to be taken to revitalise it. As a result of the steps taken the board of directors was changed. A new chairman and a new secretary were appointed recently. Six ghanies were brought under one shed and steps were taken to avoid these practices by the members.

A ghani owner member earns on an average Rs. 144 per mensem. Of this amount Rs. 75 are spent on the 2 bullocks and Rs. 24 on wages of a coolie. After deducting a depreciation of Rs. 5 on the wooden ghani Rs. 40 per mensem only are left for the owner of the Ghani. All the Ghanies working in the society are of indigenous type operated by two bullocks. Wardha Ghanies are not popular because the members have an idea that their extraction and the charging capacity are lower than the indigenous ghani. The society produces only gingelly oil. It had a turnover of approximately Rs. one lakh during the year 1961-62. During the current year, however, it is expected that the turnover would be doubled. As a result of the recent changes introduced in the working of the society, there has been a gross profit of Rs. 4,477 for the period from 1-4-1962 to 31-10-1962.

The Society is also running a Gromodyog Sales Depot for which it has received from the Khadi Commission Rs. 3,500 as grant for recurring expenditure and Rs. 1,800 as grant for non-recurring expenditure.

## **VII. The Surat Jari Goods Producers' Cooperative Society Limited, Surat, Gujarat.**

The Jari (Gold and Silver Thread) industry of Surat is an ancient industry. It is a highly decentralised industry organised into as many as 1500 cottage units employing about 30,000 persons. The total production of the entire Jari Industry is estimated to be worth Rs. 10 crores in Surat. A large number of skilled artisans gifted with hereditary knowledge and craftsmanship is the main factor responsible for the existence and expansion of this industry in Surat. During the period of the second world war the shortage of raw materials seriously affected the industry. The need for cooperative effort to obtain these materials was keenly felt and as a result the Surat Jari Goods Producers' Cooperative Society Limited was registered on 6th December, 1944 with

a share capital of Rs. 14,780 and the support of 61 promoters. Since then the society has made rapid progress and to-day the strength of its membership stands at 616 with a share capital of Rs. 1,19,230 and the working funds of more than Rs. 5,06,000.

Apart from procuring in bulk the materials like copper wire, raw silk, art silk and cotton yarn coconut oil, acids, soft soap etc., and distributing the same amongst its members, the society, on being recognised for the purposes, also undertook the work of issuing bullion content certificates for the jari goods meant for export. In 1949 the society obtained import licences for different raw materials used in Jari industry and distributed them to its members. With a view to encourage the export of Jari goods the society participated in fairs and exhibitions held in foreign countries by sending samples to be exhibited there.

But the more important step taken by the society was the starting of a wire rolling mill for the benefit of its members. The imitation sector of the Jari industry requires every day 5 to 7 tons of copper wire. The society buys the imported electrolytic copper wire bars on behalf of its members either locally or by directly importing the same according to the quota allotted by the government. These bars then rolled in the rolling mill of the society into 4" diameter rods which are then drawn into thin wires by the multiple drawing process in small establishments (Pavthas) at Surat.

4. The roller mill started functioning in December, 1959. This unit provides employment to approximately 40 workers 18 permanent and the rest temporary. The workers are not members of the society. The temporary workers are engaged on a day-to-day basis and remain unemployed as and when the rolling mill is not in a position to provide work. During the last 18 months or so temporary hands have remained unemployed frequently and for weeks at a time due to scarcity of raw materials especially copper. Efforts are now being made to replace copper by aluminium for providing basic gold Jari wire for the manufacture of Jari but even this the unit is unable to obtain insufficient quantities.

The average daily wages of the workers in the mill are between Rs. 3.00 and Rs. 3.50. The skilled workers are paid about Rs. 430 per mensem and the others get between Rs. 150 and Rs. 175. Safety equipment, uniforms, etc., are all provided by the society free of cost and during the last year a bonus equivalent to one month's pay was declared for permanent employees. The temporary hands do not get the benefit of bonus.

The overall profit of the society during 1961-62 was of the order of Rs. 49,000 on a total turnover of Rs. 13.67 lakhs. The profit earned by the re-rolling mill was Rs. 600 only. This was due to the fact that the mill had to function much below its installed capacity for want of raw materials. The society has 600 members who are all interested in developing the Jari industry. Most of them are weavers. Some of them are also exporters of Jari who in turn get import quota directly on account of such exports.

#### VIII. The Bombay Cooperative Industrial Estate Ltd., Kurla, Maharashtra

The estate was registered on 2nd April, 1957, with the object of construction of factory sheds for the benefit of its members. It selected a site for the estate at Kurla and approached the Government

for acquiring 50 acres of land. The society was required to deposit Rs. 2 lakhs towards the acquisition cost of the land which was done in the same year Government allotted to it an area of 10 acres and 8 ghuntas in 1959 at the rate of Rs. 4.50 per sq. ft. which was the prevailing market rate. It has at present 198 members with paid-up share capital of Rs. 5.25 lakhs. In the various units occupying sheds in the industrial estate, employment varies from 8 in the smallest factory to 95 in the biggest one. The minimum share capital invested by a member is Rs. 2,000 and the highest so far subscribed by a member Rs. 5,000. The entire board of directors consisting of 11 members is elected by the general body meeting and the secretary is appointed by the board. The society charges development fees of the order of Rs. 5 per sq. yard to the members occupying sheds in the Estate. The society had deposits of Rs. 11.43 lakhs from members on 30-6-62 and a reserve fund of Rs. 30,750.

The State Government has participated in the share capital of the society to the extent of Rs. 25,000. Towards the construction of the factory sheds a loan of Rs. 10 lakhs has also been sanctioned by the State Government to the society of which Rs. 8.44 lakhs have already been paid. The Registrar of Cooperative Societies has now advised the Society to approach the L.I.C. for additional loans. The advances by the L.I.C. will be covered by Government guarantee.

The construction of the factory sheds started in the year 1960. But it was held up for sometime due to an objection from the Aerodrome Authorities at New Delhi, the receipt of a 'No Objection' Certificate from whom took ten months. This resulted in a loss to the society on account of interest apart from the inconvenience caused to the members.

Construction of sixteen blocks has now been completed where 31 member small scale units have been accommodated. The construction cost was Rs. 21 lakhs. Nearly 600 workers are employed in these units. Goods worth Rs. 88 lakhs are produced every year. The types of goods produced include PVC leather cloth, textiles reeds, textile engraving film projectors, auto parts, packing materials, rubber goods liquid gold, plastic goods, sweetening agents etc. About 11 additional small scale units are expected to go into production within the next two or three months. In some of the remaining units of the plant and machinery are under erection. Factories which are already functioning are allowed to run only one shift on account of shortage of power. In the case of a few factories, even after the machinery has been installed, production has not commenced due to the fact that the Municipal Corporation has not so far been able to provide the necessary quantum of power supply.

During the past three years the society incurred losses of about Rs. 16,736, Rs. 30,190 and Rs. 10,952 respectively. However, additional land has been acquired by the society where approximately 140 members are expected to be provided accommodation. This scheme is expected to cost Rs. 1 crore and 14 lakhs. 50 more factory-sheds would be ready by June 1963 and the remaining sheds by the end of the year. 3,000 workers are expected to be employed when all the factories occupying the sheds in the Estate go into production and the goods produced would be worth approximately Rs. 5 crores per annum. The Estate has constructed two power substations at its own cost as required by the Bombay suburban Ele. Supply Ltd. The members have expanded their industries and they are developing at a rapid pace as a result of the provision of improved premises and congenial surroundings. Some units have ordered machinery for further development.

## APPENDIX 'E'

### QUESTIONNAIRES

#### I. Questionnaire to be answered by the State Governments

##### A. General positions

1. (i) Give, in the proforma at Annexure 'B', the present position of Industrial Cooperatives in your State in respect of weavers and other industrial cooperatives (separately) undertaking (a) production and sale and (b) purchase, sale and other services. Also give a short note on Industrial Cooperatives in respect of each of the industries listed at Annexure 'A'. Give case histories of a few societies of each type which are (a) successfully functioning and (b) languishing due to difficulties.

(ii) Give details of the programme for setting up Cooperative Industrial Estates in your State. How many have so far been set up and how many are likely to be set up during the remaining part of the Third Plan?

(iii) (a) Have any cooperative spinning mills been set up in your State? (b) If so, give the available statistical data including Government participation in share capital. (Give also details of future programmes).

(iv) Have any other special types of industrial cooperative ventures been undertaken or under consideration? (Give short notes).

(v) Give details of common facility workshops set up or being set up in your State to cater to the needs of industrial cooperatives.

2. (i) Have any Federations of industrial cooperatives been formed?

(ii) If so, what are broadly their constitutions, functions and activities? Please give separate notes for district, regional and Apex federations.

3. Give a general account of the difficulties faced by the Industrial Cooperatives in your State and the steps taken to solve them.

4. Give the number of industrial cooperatives (weavers and others separately) that remained unaudited (i) for more than one year and (ii) for more than two years and state the reasons therefor.

5. (i) What is the percentage of the dormant industrial cooperatives in your State? What are reasons therefor?

(ii) What steps have been or are proposed to be taken to revitalise these societies and to avoid any more societies becoming dormant?

6. How many societies are under liquidation? Mention, in general the causes thereof?

##### B. Management and Organisation :

7. Give a short note on the present state of management of industrial cooperatives mentioning particularly whether you consider the same to be efficient and indicating suggestions for improvement.

8. (i) What types/Groups of industrial cooperatives have shown profits/losses continuously over a period of years?

(ii) What are the factors contributing to this state of affairs?

9. (i) What has been your experience regarding the recommendation of the first Working Group that sympathisers may be admitted as members up to 10% ?

(ii) In cases where workers and other participants are unable to provide the required amount, leadership and managerial ability, should, in your opinion, sympathisers be also enrolled as members ?

(iii) In which types of societies is enrollment of sympathisers considered essential and desirable ?

10. What has been your experience in respect of the programme of conversion of proprietary concerns of industrial cooperatives ?

11. (i) How many industrial cooperative service societies of small entrepreneurs have been established in your State ? If so, in what particular trade ?

(ii) Would you like all types of industries to be thrown open to small entrepreneurs in respect of formation of industrial cooperative service societies or only the non-traditional types ?

12. (i) How can industrial cooperatives help dispersal and decentralisation of industries ?

(ii) What has been the effect of administrative Decentralisation under Panchayati Raj on the development of industrial cooperatives ?

13. (i) What special role can industrial cooperatives play in creation of employment opportunities ?

(ii) On what lines should progress take place in industrial cooperatives to make them effective in reducing migration from rural areas ?

14. (i) What is the general position of the industrial cooperatives in the Community Development areas ?

(ii) What special efforts have been made or are being made to improve this position ?

(iii) What specific schemes relating to industrial cooperatives have been in operation in these areas and what are the specific achievements ?

(iv) (a) What loans and subsidies are available to industrial cooperatives in the C.D. areas under any schemes administered by you ?  
(b) Are any loans and subsidies given for equipment and tools ?

(v) What specific roles are the Industries Extension Officers and the Cooperative Extension Officers in the blocks playing in developing industrial cooperatives in C.D. areas ?

#### *C. Institutional finance :*

15. (i) (a) To what extent are the Central Cooperative Banks meeting the loan requirements of industrial cooperatives ? (b) Give the amounts advanced industrywise during the last 2 years.

(ii) (a) Do you consider the position satisfactory in this matter ?  
(b) If not, how would you like to improve the position ?

16. To what extent have the State/Central Cooperative Banks taken advantage of the Credit Guarantee Scheme (Ministry of Commerce & Industry letter No. 12(21)/61-ICC dated 12-9-61 refers) which is operated through the Reserve Bank of India.

17. (i) Has the benefit of the 90% Guarantee Scheme (Ministry of Commerce & Industry letter No. 5(45)/60-ICC dated 17-6-61 refers) been extended to industrial cooperatives other than weavers?

(ii) If answer to (i) is 'yes' mention briefly the procedure laid down for issue of guarantees indicating the number of certificates issued so far, industrywise, the number of societies benefited and the amount guaranteed.

(iii) If answer to (i) is 'no' give reasons?

18. Indicate the quantum of loans, if any, guaranteed under the above two schemes which had to be reimbursed to the Central Cooperative Banks and other Institutions.

19. Have the Central Cooperative Banks set up any Industrial Advisory Committees? If so, what positive role are such committees playing?

20. Has any industrial Cooperative Bank been set up in the State? If so, give a brief history of the working and progress of this bank and its programme for financing of Industrial Cooperatives during the Third Plan period.

21. Give details of loans advanced so far by the State Financial Corporation/Industrial Finance Corporation to Industrial Cooperatives and the programme for financing of the Industrial Cooperatives from this source. What difficulties have been experienced in this regard and how is it proposed to solve them?

22. (i) Has the State Bank of India advanced any loans to the Industrial Cooperatives in your State?

(ii) If so, what are the amounts, industrywise advanced so far?

23. Would you like the financial accommodation available from the State Bank of India to be extended further? If so, in what manner?

24. (i) What would be the overall requirements of long, medium and short term finance by the Industrial Cooperatives during the Third Plan?

(ii) What steps have been taken to make these available adequately and in time?

#### **D. Government/Khadi Commission assistance :**

25. Give details of the participation by the State Government, the Panchayat Samitis or other Government, Semi-Government agencies in the shares of industrial cooperatives, the types of societies in whose share structure, participation has been resorted to and terms for redeeming the shares.

26. Give details of patterns of assistance to industrial cooperatives by way of Government/Khadi Commission loans for :

- (i) land and buildings, equipment etc.;
- (ii) Working capital;
- (iii) subsidising share capital by members;
- (iv) godowns; and
- (v) any other purposes.

Give details of patterns of assistance to industrial cooperatives by way of Government/Khadi Commission grants for :

- (i) managerial staff;
- (ii) godowns;

(iii) equipments, etc. if any ; and

(iv) concessional rate of interest on loans advanced by cooperative banks, State Bank of India and its subsidiaries.

28. (i) Give details of grants and loans provided to industrial co-operatives in different industries under each of the above heads.

(ii) Mention also the limitations and difficulties experienced in providing this assistance.

(iii) Give the tentative yearwise breakup of the programme for similar assistance during the Third Five Year Plan.

(iv) Are Government/Khadi Commission loans being channelled through cooperative banks ? If so, give details.

29. Give details of assistance provided to the cooperative banks for industrial cooperative work for appointment of :

(i) Cost Accounts in the State Cooperative banks;

(ii) Additional Deputy Managers in Central Cooperative Banks;

(iii) Inspectors in Central Cooperative Banks; and

(iv) Additional staff in industrial cooperative banks.

30. (i) State the position in respect of repayment of (giving details of recoveries and over dues separately) share capital loans and other Government/Khadi Commission loans to members of (a) Weavers societies, (b) khadi and village industries societies and (c) other industrial cooperative societies.

(ii) What further Government assistance do (a) industrial co-operatives, (b) cooperative banks require and how long should the substitute be continued ?

(iii) Suggest improvements, if any, in the existing patterns of assistance.

#### **E. Supply and marketing :**

32. What special facilities or concessions are offered to the industrial cooperatives for the supply and procurement of raw materials needed by them particularly the controlled and imported items ? Have any serious dislocations been observed in the event of raw material position having become very difficult ? What steps were taken to remove them and what steps are proposed to be taken to avoid any recurrence ? (Give a short note).

33. What are the marketing channels for primary cooperatives ? Are the present federations strong enough to undertake this work ? If not, what reorganisation or assistance would they need to lift and sell the entire surplus production of the primaries ?

34. What preference is accorded to industrial cooperatives by the Government purchasing Department ? How is it ensured that goods of suitable quality produced by Cooperatives are purchased by Government in preference to the goods of similar quality produced by private individuals ?

35. Give a brief description of the District, Regional and Apex Marketing Federation existing in your State along with their constitution. If there is none in your State, what are the factors coming in the way of setting up one ?

**F. Administration :**

36. Which department is handling the work relating to industrial Cooperatives in the State? What arrangements have been made between the Departments of Industries and Cooperation for ensuring adequate liaison in the interest of work?

37. Has any special Cell been created for Industrial Co-operatives? What is the departmental staff and field staff solely available for this work? Do you consider this adequate in the context of the present development and the tempo which the Industrial Cooperatives are expected to gain in the near future?

38. In what manner are the existing societies being serviced in technical matters?

39. Has any cell been created to bring home to Industrial Co-operatives the results of research in modern techniques?

40. What arrangements exist at present for ensuring proper audit of the accounts of the Industrial Cooperatives? Is the recent recommendation, suggesting one auditor for 20 Industrial Cooperatives being implemented?

**G. Training :**

41. What training facilities exist in your State for the members and staff of the Industrial Cooperatives and for the departmental staff?

42. How many persons have been trained during the last three years and what would be your requirements of trained departmental and society personnel of all types for the next 4 or 5 years (yearwise)?

**H. Targets :**

43. Give details of the scope and programme for development of Industrial Cooperatives non-traditional lines such as light engineering goods, chemical industries etc. Is any special pattern of assistance necessary for them?

44. What physical targets were drawn up for industrial cooperatives in (i) the State and (ii) Community Development areas of the State for the first and second five year plan? To what extent were these targets achieved?

45. Give details (in proforma below) of targets fixed for development of Cooperatives in each of the industries mentioned in Annexure 'A' separately for (a) Production and Sales Societies (b) Societies undertaking purchase, sales and other services (c) Federations of Industrial Co-operatives.



Year	No. of Societies	Member- ship	Working Capital (Rs.)	Paid up Capital (Rs.)	Govt. loans (Rs.)	Bank loans (Rs.)	Produc- tion (Rs.)	Sales (Rs.)
1961-62								
1962-63								
1963-64								
1964-65								
1965-66								



46. Can the targets for the Third Plan in respect of industrial co-operatives be revised upwards in the light of performance so far? If so, specify the possible targets.

**I. Fourth Plan :**

47. Give tentative targets for development of industrial cooperatives in your State during the 4th Five Year Plan, in respect of items given below for (i) the State and (ii) Community Development areas separately :

- (a) No. of societies.
- (b) Membership.
- (c) Working Capital.
- (d) Paid-up capital.
- (e) Production.
- (f) Sales.

48. Do you think that by the beginning of the IV plan, the industrial cooperative movement would attain a stature that would enable Co-operative Banks and State Bank of India as a general rule to offer finance to industrial cooperatives? What volume of institutional finance to the industrial cooperatives could be envisaged during the IV Plan?

49. In which industries do you expect a faster growth of industrial cooperatives during the next 10 years?

50. (i) What would be the expected back log of untrained personnel in industrial cooperatives at the end of III Plan for whom cooperatives training arrangements will have to be made during the IV Plan? (ii) What would be the total requirements of trained personnel for that Plan?

51. In the light of the popularity of the Cooperative Industrial Estates and the Cooperative Common Facility Workshops envisaged by the end of the Third Plan what should be the size of the programme for the Fourth Plan?

52. What can be the line of approach for the development of industrial cooperatives in community development areas during the Fourth Five Year Plan? Indicate tentative targets, if possible.

**II. Questionnaire to be answered by All India Boards/Commission.**

(The replies to the questions need relate only to the industries under the purview of the respective Board/Commission)

1. (i) What is the financial assistance that is now available to industrial cooperatives?
- (ii) Do you consider the same to be adequate in the context of the development which has so far taken place?
- (iii) If so, on what lines is extension of this assistance desirable and possible?
2. (i) State briefly the contribution of the cooperative sector in the industries under your purview.
- (ii) To what extent can this be increased in the near future?
- (iii) On what lines should further development take place to bring about such increase?

3. (i) Are there any special institutions or organisations, aided or controlled by you, which caters to the technical and other needs of different industries? To what extent do these institutions provide help to industrial cooperatives?
- (ii) Are any efforts being made to introduce modern techniques in the industrial cooperatives?
4. (i) What are the marketing channels currently available for the goods of industrial cooperatives?
- (ii) Do you consider the present marketing arrangements to be satisfactory?
- (iii) If not, what improvements would you suggest in this field?
5. (i) Have any regional apex, or all-India Marketing Organisations been set up?
- (ii) What are their functions and activities and how are the primaries affiliated to them?
6. (i) What are the arrangements now existing for the supply of raw materials to industrial cooperatives?
- (ii) Is the position satisfactory?
- (iii) If not, what improvements would you like to bring about in this field?
7. (i) To what extent are the products of your industries figuring in the export trade?
- (ii) What is the share of the cooperatives in this regard?
- (iii) What efforts have been made and can further be made to provide the cooperatives a greater share in the export trade?
8. (i) Do you think the present organisational set up of industrial cooperatives to be satisfactory?
- (ii) If not, would you like to suggest any improvements in this set-up?
9. (i) What physical targets were laid down for industrial cooperatives for the Second and Third Five Year Plans?
- (ii) To what extent were these achieved in the Second Five Year Plan and what is the present position in respect of the Third Five Year Plan?
10. (i) What should be the line of approach to the Fourth Five Year Plan so that the industrial cooperatives can make a much greater impact in the field of their activities?
- (ii) Indicate tentative targets for the Fourth Five Year Plan in respect of increase in number of societies, membership, working capital, paid-up capital, Bank loans, Government loans and grants, finances, production, sales and exports.

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NOTE:—A classification of industrial cooperatives is attached at Annexure 'A'.

**III. Questionnaire to be answered by the Cooperative Banks, State Bank of India, State Financial Corporations and Industrial Cooperative Banks.**

1. (i) What cooperative industries are being financed by your Institution out of its own funds?  
(ii) State the amount of loans advanced, the industries to which advanced, the rate of interest charged, the recovery position etc., during the last 2 or 3 years.
2. On what lines can your Institution extend the scope and extent of these loans?
3. (i) Has your Institution taken advantage of the Credit Guarantee Scheme or the 90% Guarantee Scheme in connection with loans to industrial cooperatives?  
(ii) If so, what amounts have so far been advanced under the schemes and what defaults, if any, have occurred?
4. (i) Has your Institution taken advantage of the Subsidised Interest Scheme?  
(ii) If so, give the relevant data available in this regard.
5. (for answer by Cooperative Banks only)  
(i) Has any special staff such as Deputy Manager, Inspector or Cost Accountant been appointed by your Institution under the Staff Subsidy Scheme?  
(ii) If so, give relevant data.
6. Is your Institution providing any clean loans to industrial co-operatives?
7. (i) What securities are usually demanded against loans advanced by you to industrial cooperatives?  
(ii) Do cooperatives find it easy to furnish those securities?  
(iii) If not, what steps, in your opinion, would be feasible to ease the situation?
8. (i) Do you handle any funds for being advanced to industrial co-operatives from any other source?  
(ii) If so, state the sources.  
(iii) Have these funds remained undisbursed with you and if so, how long? What special difficulties have been faced in advancing and recovering these loans?
9. Would you like any further financial accommodation to be provided to you by sources such as the Reserve Bank of India or the Government to enable you to finance industrial cooperatives to a greater extent?
10. (for answer by Industrial Cooperative Banks only)  
(i) Have arrangements between your Institution and the Apex Co-operative Banks been working satisfactorily and smoothly?  
(ii) If not, what are the difficulties encountered?

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NOTE :—A classification of industrial cooperatives is attached at Annexure 'A'.

#### IV. Questionnaire to be answered by Apex Associations.

1. (i) What role has your organisation been playing to stabilise and strengthen the position of industrial cooperatives (mention the industries) affiliated to it?  
(ii) Give also the number of primaries industrywise—affiliated, at present, to your association.
2. (i) Do you undertake to supply the raw materials and equipments required by your constituent primaries? If so, give details.  
(ii) Have they experienced any difficulty in this regard? What improvements can be brought about in this field?
3. To what extent have you undertaken the marketing of goods produced by your constituent primaries? What improvements can be brought about in this field?
4. Do you market goods produced by industrial units other than cooperatives? If so, what is the proportion of such goods to the total amount of goods handled at your depots and emporia.
5. Do you extend any credit to the primary societies; if so, on what terms and conditions and for what purposes? On what lines can this facility be further expanded?
6. (i) Have any demands been placed with you by primaries for any trained staff? How have you been able to meet it?  
(ii) What do you anticipate to be the possible requirements for trained staff in the near future?  
(iii) Would you be able to meet any increased demand for such trained staff?
7. Have you set up any branches of your Association? If so, what has been the special advantages gained?
8. Has any liaison been attempted or established with other co-operatives? If so, state the exact achievements in this field. If not, state how this can be done?
9. Have you been providing any promotional assistance or guidance to the industrial cooperatives? If so, give details.
10. Were any targets of working laid down by you for the Second and Third Five Year Plans? If so, to what extent have these been realised in the Second Plan and what is the present position in respect of the Third Plan?
11. On what new lines, in your opinion, should be the future line of progress of industrial cooperatives affiliated to you so as to make an impact on the economic position of members in particular and the field of small industries in general?
12. (i) What should be the line of approach to the Fourth Five Year Plan?  
(ii) Indicate tentative targets in respect of increase envisaged in number of primaries, financial assistance, supply of raw materials, marketing activities, etc.
13. What are your present handicaps and what measures would you take for overcoming them and to serve your clientele more satisfactorily?

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NOTE:—A classification of industrial cooperatives is attached at Annexure 'A'.

**V. Questionnaire to be answered by the Reserve Bank of India.**

1. What is the role of the Reserve Bank of India in the promotion of industries on a cooperative basis? Can this be extended under the present constitution or will any amendment be necessary to extend this role?
2. To what extent can the list under Section 17(2)(bb) be enlarged to include more items of small industries for financial accommodation from your bank to industrial cooperatives?
3. Please give a brief account of the applications received for guaranteeing loans advanced to industrial cooperative societies under the Credit Guarantee Scheme so far. Would you recommend its extension to industrial cooperative societies that provide supply, sale and other services to member industrial units?
4. On what particular lines would the Reserve Bank suggest an intensive development of industrial cooperatives to achieve the objective of more employment and higher production in the small industries sector?
5. (i) What difficulties have been encountered by the Reserve Bank in the collection and publication of statistics in respect of industrial cooperatives.  
 (ii) Suggest ways and means of overcoming such difficulties and state to what extent collection of more detailed statistical information can be attempted by the Bank in the near future.

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NOTE:—A classification of industrial cooperatives is attached at Annexure 'A'.

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## ANNEXURE 'A'

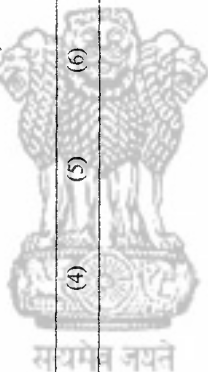
### *Classifications of the Industrial Cooperatives*

1. Handpounded Rice and Chakki Products.
2. Gur and Khandsari Sugar.
3. Ghani oil.
4. Neera and Palmgur.
5. Honey and Honey products.
6. Handspun cotton yarn.
7. Khadi cloth.
8. Wool spinning.
9. Wool Weaving.
10. Handmade paper.
11. Tanning.
12. Pottery and earthenware.
13. Spinning Mills.
14. Handloom cloth (cotton).
15. Textile Dyeing, printing, made-up textile and finishing.
16. Wearing apparel and other made-up textile goods.
17. Powerloom cloth.
18. Carpet manufacture.
19. Bamboo and cane products.
20. Bangles, Beads and Artware.
21. Sericulture.
22. Silk reeling and Weaving.
23. Coir and Coir products.
24. Other fibre products.
25. Hosiery.
26. Carpentry and wood and cork products.
27. Leather footwear and leather products.
28. Matches and fire works.
29. Chemicals and chemical products.
30. Bricks and Tiles.
31. Blacksmithy.
32. Sheet metal work.
33. Non-ferrous metal products.
34. Games and Sports goods.
35. Engineering.
36. Salt.
37. Bidi and other tobacco manufactures.
38. Miscellaneous manufacturing industries not elsewhere specified.
39. Cooperative Industrial Estates.
- \*40. Multi Industry Federations.

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\*Information of Federations of Societies belonging to single industrial groups may be furnished in a separate part of the table for that industry as is done for Weavers' Cooperatives.

Particulars regarding Industrial Co-operatives in—State at the end of June, 196 .  
(Amounts in thousands of rupees)

State	No. of Societies		No. of Members		No. of working or active members	Total liabilities	Working capital (total of cols. 7, 11 & 12)	Paid-up Capital		
	Societies	Individuals and others	Societies	Individuals and others				Total	Government	Societies
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
										
Reserve and others funds	Total		Borrowings		Central financing agencies	Others	All other liabilities	Total Assets		
	(11)	(12)	(13)	(14)					(15)	(16)



Stocks					
At the beginning of the year		At the end of the year		Investments	All other assets
Raw Material	Finished goods	Raw Material	Finished Goods		
(18)	(19)	(20)	(21)	(22)	(23)
				(24)	(25)
					Difference between assets and liabilities. (+) or (-) (26)

Production	Sales	Govt. loans	Govt. subsidies	Cost of Management		Profit		Loss		No. of societies without profit or loss
				Salaries & wages	Other Expenses	No. of societies	Amount	No. of societies	Amount	
(27)	(28)	(29)	(30)	(31)	(32)	(33)	(34)	(35)	(36)	(37)

APPENDIX 'F'

**LIST OF OFFICIAL AND NON-OFFICIAL ORGANISATIONS FROM  
WHOM REPLIES TO THE QUESTIONNAIRE WERE RECEIVED**

1. The Government of Andhra Pradesh.
2. The Government of Assam.
3. The Government of Bihar.
4. The Government of Gujarat.
5. The Government of Jammu & Kashmir.
6. The Government of Kerala.
7. The Government of Madhya Pradesh.
8. The Government of Madras.
9. The Government of Maharashtra.
10. The Government of Mysore.
11. The Government of Orissa.
12. The Government of Punjab.
13. The Government of Rajasthan.
14. The Government of Uttar Pradesh.
15. The Government of West Bengal.
16. The Chief Commissioner, Andaman & Nicobar Islands.
17. The Chief Commissioner, Delhi Administration.
18. The Secretary, Himachal Pradesh Administration.
19. The Secretary, Manipur Administration.
20. The Chief Commissioner, Pondicherry.
21. The Chief Secretary, Tripura Administration.
22. The All India Handicrafts Board.
23. The All India Handloom Board.
24. The Coir Board.
25. The Central Silk Board.
26. The Development Commissioner for Small Scale Industries.
27. The Khadi & Village Industries Commission.
28. The Reserve Bank of India, Bombay.
29. The State Bank of India, Bombay.
30. The Assam Cooperative Apex Bank Ltd., Shillong.
31. The Coorg State Cooperative Bank Ltd., Coorg.
32. The Delhi State Cooperative Bank Ltd., Delhi.
33. The Gujarat State Cooperative Bank Ltd., Ahmedabad.
34. The Kerala State Cooperative Bank Ltd., Trivandrum.
35. The Maharashtra State Cooperative Bank Ltd., Bombay.
36. The Orissa State Cooperative Bank Ltd., Cuttack.
37. The Punjab State Cooperative Bank Ltd., Jullundur.
38. The U.P. Industrial Cooperative Bank Ltd., Kanpur.
39. The West Bengal Provincial Cooperative Bank.
39. (a) The Adilabad Jilla Kendra Sahakari Bank Ltd., Andhra Pradesh.

40. The Dinapore Masaurti Central Cooperative Bank Ltd., Dinapore, Bihar.
41. The Madhipura Supoul Central Cooperative Bank Ltd., Supoul, Bihar.
42. The Purnea District Central Cooperative Bank Ltd., Purnea, Bihar.
43. The Rohika Central Cooperative Bank Ltd., Madhubani, Bihar.
44. The Sitamarhi Central Cooperative Bank Ltd., Sitamarhi, Bihar.
45. The Ahmedabad Credit Cooperative Bank Ltd., Ahmedabad, Gujarat.
46. The Baroda District Industrial Cooperative Bank Ltd., Baroda, Gujarat.
47. The Chikli Taluka Cooperative Banking Union Ltd., Chikli, Gujarat.
48. The Panchmahals District Cooperative Bank Ltd., Godhra, Gujarat.
49. The Sabarkantha District Central Cooperative Bank Ltd., Himmatnagar, Gujarat.
50. The Kerala State Cooperative Bank Ltd., Trivandrum, Kerala.
51. The Trichur District Cooperative Bank Ltd., Trivandrum, Kerala.
52. The Agar Central Cooperative Bank Ltd., Agar, Madhya Pradesh.
53. The Bhopal Cooperative Central Bank Ltd., Bhopal, Madhya Pradesh.
54. The Bilaspur Cooperative Central & Land Mortgage Bank Ltd., Bilaspur, Madhya Pradesh.
55. The Chhindwara Cooperative Central & Land Mortgage Bank Ltd., Chhindwara, Madhya Pradesh.
56. The Damoh Cooperative Central & Land Mortgage Bank Ltd., Damoh, Madhya Pradesh.
57. The Jabalpur Cooperative Central Bank Ltd., Jabalpur, Madhya Pradesh.
58. The Mandla District Cooperative Central & Land Mortgage Bank, Mandla, Madhya Pradesh.
59. The Narsingpur Cooperative Central Bank Ltd., Narsingpur, Madhya Pradesh.
60. The Seoni Cooperative Central & Land Mortgage Bank Ltd., Seoni, Madhya Pradesh.
61. The Shajapur Central Cooperative Bank Ltd., Shajapur, Madhya Pradesh.
62. The Coimbatore District Cooperative Bank Ltd., Coimbatore, Madras.
63. The Kanyakumari District Cooperative Central Bank Ltd., Kanyakumari, Madras.
64. The Pudukkottai Cooperative Central Bank Ltd., Pudukkottai, Madras.
65. Tiruchirapalli District Cooperative Central Bank Ltd., Tiruchirapalli, Madras.
66. The Tirunelveli District Cooperative Central Bank Ltd., Tirunelveli, Madras.
67. The Amaravati District Central Cooperative Bank Ltd., Amaravati, Maharashtra.

68. The Aurangabad District Central Cooperative Bank Ltd., Aurangabad, Maharashtra.
69. The Bhandara Cooperative Central Bank Ltd., Bhandara, Maharashtra.
70. The Buldana District Central Cooperative Bank Ltd., Buldana, Maharashtra.
71. The Chanda District Central Cooperative Bank Ltd., Chanda, Maharashtra.
72. The Jalgaon District Central Cooperative Bank Ltd., Jalgaon, Maharashtra.
73. The Nagpur Cooperative Central Bank Ltd., Nagpur, Maharashtra.
74. The Sangli District Central Cooperative Bank Ltd., Sangli, Maharashtra.
75. The Satara District Central Cooperative Bank, Satara, Maharashtra.
76. The Sholapur District Industrial Cooperative Bank Ltd., Sholapur, Maharashtra.
77. The Wardha Cooperative Central Bank Ltd., Wardha, Maharashtra.
78. The Bellary District Central Cooperative Bank Ltd., Hospet, Mysore.
79. The Bijapur District Industrial Cooperative Bank Ltd., Bangalore, Mysore.
80. The Raichur District Cooperative Central Bank Ltd., Raichur, Mysore.
81. The Shimoga District Cooperative Central Bank Ltd., Shimoga, Mysore.
82. The South Canara Central Cooperative Bank Ltd., Mangalore, Mysore.
83. The Banki Central Cooperative Bank Ltd., Banki (Dt. Cuttack), Orissa.
84. The District Central Cooperative Bank Ltd., Balangir, Orissa.
85. The Keonjhar Central Cooperative Bank Ltd., Keonjhar, Orissa.
86. The Khurda Central Bank Ltd., Khurda, Orissa.
87. The Sundergarh Central Cooperative Bank Ltd., Sundergarh, Orissa.
88. The United Puri Nimapara Central Cooperative Bank Ltd., Puri, Orissa.
89. The Ambala Central Cooperative Bank Ltd., Ambala, Punjab.
90. The Bhatinda Central Cooperative Bank Ltd., Bhatinda, Punjab.
91. The Faridkot Central Cooperative Bank Ltd., Faridkot, Punjab.
92. The Ferozepur Central Cooperative Bank Ltd., Ferozepur, Punjab.
93. The Gurdaspur Central Cooperative Bank Ltd., Gurdaspur, Punjab.
94. The Jogindra Central Cooperative Bank Ltd., Nallagarh, Punjab.
95. The Kangra Central Cooperative Bank Ltd., Dharmsala, Punjab.
96. The Kapurthala Central Cooperative Bank Ltd., Kapurthala, Punjab.

97. The Ludhiana Central Cooperative Bank Ltd., Ludhiana, Punjab.
98. The Nawanshahr Central Cooperative Bank Ltd., Kapurthala, Punjab.
99. The Pathankot Central Cooperative Bank Ltd., Pathankot, Punjab.
100. The Patiala Central Cooperative Bank Ltd., Patiala, Punjab.
101. The Phagwara Cooperative Banking Union, Phagwara, Punjab.
102. The Rohtak Central Cooperative Bank Ltd., Rohtak, Punjab.
103. The Sirsa Central Cooperative Bank Ltd., Sirsa, Punjab.
104. The Rajasthan State Cooperative Bank Ltd., Jaipur, Rajasthan.
105. The Barmer Central Cooperative Bank Ltd., Barmer, Rajasthan.
106. The Central Cooperative Bank Ltd., Bhilwara, Rajasthan.
107. The Central Cooperative Bank Ltd., Tonk, Rajasthan.
108. The Ganganagar Central Cooperative Bank Ltd., Sri Ganganagar, Rajasthan.
109. The Jodhpur Central Cooperative Bank Ltd., Jodhpur, Rajasthan.
110. The Nagaur Central Cooperative Bank Ltd., Nagaur, Rajasthan.
111. The Pali Central Cooperative Bank Ltd., Pali, Rajasthan.
112. The Sikar Central Cooperative Bank Ltd., Pali, Rajasthan.
113. The Sawai Madhopur Central Cooperative Bank Ltd., Sawai Madhopur, Rajasthan.
114. The Udaipur Central Cooperative Bank Ltd., Udaipur, Rajasthan.
115. The Bahraich District Cooperative Bank Ltd., Bahraich, Uttar Pradesh.
116. The Biswan Central Cooperative Bank Ltd., Biswan (Sitapur), Uttar Pradesh.
117. The District Cooperative Bank Ltd., Dehradun, Uttar Pradesh.
118. The Kheri District Cooperative Bank Ltd., Kheri, Uttar Pradesh.
119. The Etawah District Cooperative Bank Ltd., Etawah, Uttar Pradesh.
120. The Farrukhabad District Cooperative Bank Ltd., Fatehgarh, Uttar Pradesh.
121. The Radhasoami Central Cooperative Bank Ltd., Dayalbagh (Agra), Uttar Pradesh.
122. The Zila Sahakari Bank Ltd., Garhwal, Uttar Pradesh.
123. The Murshidabad District Central Cooperative Bank Ltd., Murshidabad, West Bengal.
124. The Federation of Industrial Cooperatives Ltd., Bashirgarh, Hyderabad, Andhra Pradesh.
125. The Leather Industrial Cooperative Central Association Ltd., Vijayawada, Andhra Pradesh.
126. The Gujarat Rajya Mitha Udyog Sahakari Sangh Ltd., Surendranagar, Gujarat.
127. The Junagarh District Industrial Cooperative Association Ltd., Gujarat.
128. The Kutch District Industrial Cooperative Association, Bhuj, Gujarat.
129. The Rajkot District Industrial Cooperative Association, Gujarat.
130. The Jammu & Kashmir Fabrics Marketing Society Ltd., Jammu & Kashmir.
131. The Kashmir Arts Corporation Ltd., Srinagar, Jammu & Kashmir.

132. The M.P. Handloom Weavers' Central Cooperative Society Ltd., Jabalpur, Madhya Pradesh.
133. The Vindhyachal Gramin Tel Udyog Sahakari Sangh Ltd., Indore, Madhya Pradesh.
134. The State Industrial Cooperative Association Ltd., Bombay, Maharashtra.
135. The Punjab Handloom Weavers' Apex Cooperative Society Ltd., Chandigarh, Punjab.
136. The Kendriya Sarvodaya Sahakari Sangh Ltd., Jaipur, Rajasthan.
137. Cottage Match Industrial Cooperative Federation Ltd., Kanpur, Uttar Pradesh.
138. The District Weavers' Cooperative Society, Budaun, Uttar Pradesh.
139. The District Weavers' Cooperative Union Ltd., Kanpur, Uttar Pradesh.
140. The District Weavers' Cooperative Union Ltd., Pilibhit, Uttar Pradesh.
141. The District Weavers' Cooperative Union, Sitapur, Uttar Pradesh.
142. The Mason Industrial Cooperative Federation Ltd., Barabanki, Uttar Pradesh.
143. The Quality Marked Footwear Manufacturers' Cooperative Association Ltd., Agra, Uttar Pradesh.
144. The U.P. Industrial Cooperative Association Ltd., Kanpur, Uttar Pradesh.
145. The U.P. Rajya Tar Gur Sahakari Sangh, Kanpur, Uttar Pradesh.
146. The Paschim Banga Resham Shilpi Samabaya Mahasangh Ltd., Calcutta, West Bengal.
147. The Paschim Banga Rajya Tar Gur Silpi Samabaya Mahasangha Ltd., Calcutta, West Bengal.
148. The Indian Cooperative Union, New Delhi, Delhi.
149. The Assam Financial Corporation, Shillong, Assam.
150. The Bihar State Financial Corporation, Patna, Bihar.
151. The Gujarat State Financial Corporation, Ahmedabad, Gujarat.
152. The Kerala Financial Corporation, Trivandrum, Kerala.
153. The Madhya Pradesh Financial Corporation, Indore, Madhya Pradesh.
154. The Madras Industrial Investment Corporation Ltd., Madras, Madras.
155. The Mysore State Financial Corporation, Bangalore, Mysore.
156. The Punjab Financial Corporation, Chandigarh, Punjab.
157. The Rajasthan Financial Corporation, Jaipur, Rajasthan.
158. The West Bengal Financial Corporation, Calcutta, West Bengal.

## APPENDIX 'G'

### SUGGESTIONS FOR COMMON FACILITY WORKSHOPS TO BE SET UP BY COOPERATIVES OF SMALL INDUSTRIALISTS

A large number of units in the small scale sector are manufacturing items like machine tools, hand tools, agricultural implements, bicycles, surgical instruments and medical appliances, electric motors, shoes and leather goods etc. To improve the quality of their products and to reduce their costs these units require some basic common facilities like forging plant, heat-treatment, electroplating, tool room etc., which can be arranged on cooperative basis.

The Development Council for the machine tools industry has assessed the aggregate demand for various types of machine tools and metal working machinery at Rs. 63.6 crores by 1965. A portion of the present consumption of about Rs. 28 crores, is met by imports from abroad (Rs. 17.30 crores in 1961). The main deficiency of this industry in small scale sector, however, is its inability to produce good castings and provision of quality gears, lead screws and good tool room for provisions of proper tools, jigs and fixtures. The small units engaged in this industry may explore the possibility of setting up on cooperative basis common facility units for (a) Foundry for good quality castings; (b) Tool room with heat-treatment arrangements for supply of tools, jigs, fixtures etc., and (c) Gear cutting and lead screw etc., units.

Consumption of hand tools in the year 1961 was assessed by the Engineering Association of India, Calcutta to be about Rs. 10.29 crores, imports from abroad being Rs. 5 crores indicating the growth and prospects in this industry in the country. Production in the small scale sector increased from Rs. 0.50 crore in 1960 to Rs. 1 crore in 1961 (140 units). Small scale units suffer from forging and heat-treatment facilities for quality products.

There are similarly good prospects for industries like agricultural implements, bicycles, surgical instruments and medical appliances, watches, clocks, and time pieces, etc., but the units in the small scale sector are unable to produce quality goods for manifold reasons. Some of these can be attributed to the fact that they are not well equipped with certain essential facilities such as good foundry, heat-treatment arrangements, tool room, forging equipment, proper tanned leather in case of leather goods industry and some of the specialised items for manufacturing gears and lead screws etc. These facilities, should be made available to the small units on cooperative basis, i.e., by forming cooperatives of the small industrial units, engaged in these industries. Cost range of each of such units on cooperative basis, and the number suggested is given below in each case:

#### I. Forging Units :

Cooperative forging units can be set up by small industrialists who are manufacturing hand-tools, surgical instruments, machine tools etc. The cost will range between Rs. 5 to Rs. 10 lakhs. The possibility of organising six such units in different areas could be explored.

## **II. Heat-Treatment :**

Heat-treatment facilities are required by cutlers, surgical instruments, machine tool manufacturers, hand tool manufacturers, bicycle manufacturers and a number of other engineering units. One such unit will cost Rs. 2 lakhs. The possibilities of setting up about six units in different areas may be explored.

## **III. Tool Room :**

Tool room facilities are required by machine tool manufacturers and many other industries like plastic, rubber, electrical appliances, ceramics, glass, etc. A properly equipped tool room will cost about Rs. 10 lakhs. The possibilities of having 10 cooperative tool rooms spread out in the country according to the concentration of industries should be explored.

## **IV. Gear and Leads Screw Manufacturing Units :**

These units are required by machine tools and by units manufacturing other types of machines and equipment. The possibilities of organising 4 such units may be explored, one unit would cost about Rs. 7 lakhs.

## **V. Electroplating units :**

There is a shortage of good electroplating units. This service is required by a large number of bicycle manufacturing units, machine manufacturing and various other engineering units. The possibilities of setting up 10 such units may be explored. A unit will cost one to two lakhs rupees.

## **VI. Steel wire Drawing Units :**

There are a number of small industries manufacturing wire products which require steel wire which is in short supply. The possibilities of setting up 10 units of varying capacities may be explored. The range of cost of such units will be between Rs. 3 to 5 lakhs.

## **VII. Manufacture of Parts for Watches and Clocks, Water meters, Precision Instruments etc.**

We may have units for manufacture of various components parts of watches and clocks, etc., both for replacing purposes as well as to meet the demand of the assemblers. The members of such a cooperative could be repairers and assemblers of watches, clocks, manufacturers of precision instruments etc. One unit would cost Rs. 10 lakhs. The possibilities of starting two such units may be explored.

## **VIII. Bicycle Components :**

Cooperative bicycle assembling units can be set up by small industrialists manufacturing parts. There are certain parts that have to be manufactured on a joint basis, e.g., free wheels, hubs, access spokes. A unit will cost Rs. 2 to 3 lakhs.

## **IX. Wood Seasoning Kilns :**

Seasoning facilities are required by furnishers, builders and other wood workers in a large number of centres. A unit would cost from Rs. 1 lakh to Rs. 2 lakhs. The possibilities of setting up 15 such units may be explored.



**X. Electrical Stampings :**

These are required by manufacturers of electric motors and other electrical machines, like transformers etc. There is a need for setting up of at least 5 such units in the country costing about Rs. 2.5 lakhs each.

**XI. Ceramics material Processing units and Kilns :**

The units will supply processed material for each purpose. Kilns will be served as a common facility for those engaged in ceramics industry for firing their products at proper controlled temperature. Six such cooperative units may be set up in different parts of the country.



**NOTE ON THE IMPACT OF SOME OF THE PROVISIONS OF THE MAHARASHTRA COOPERATIVE SOCIETIES ACT, 1960, THE MAHARASHTRA COOPERATIVE SOCIETIES RULES, 1962 AND THE GUJARAT COOPERATIVE SOCIETIES ACT, 1961 ON INDUSTRIAL COOPERATIVES**

(1) The Maharashtra Cooperative Societies Act and the Maharashtra Cooperatives Rules:

(A) Section 2(22) and (23) on definitions read with Rule 10 confuse rather than clarify the meaning of processing and producers' societies; and, therefore, of industrial cooperatives.

(B) Explanation in section 6 on conditions of registration extend the meaning of "member of a family" over such a large area that it would prevent formation of artisanal societies at a village or in a small town even if sometimes 30 or 40 artisans were ready to work in a producers' society. This section would particularly come in the way of formation of auxiliary and co-partnership societies in intensive village development schemes like Gram Ekai.

(C) Section 93 pertains to open membership which is quite unsuitable for industrial cooperatives, especially of the producers' type. Model-type laws of industrial producers' societies in vogue in the State rightly go to the other extreme by providing for probationary membership.

(D) Sections (2) and 27(8) lay down that a sympathiser member shall not be entitled to any share in any form whatever in the profits or assets of the society and shall not have the right to vote. There is no provision, however, which prevents a sympathiser member from participating in management. This is paradoxical. Sympathiser members have, on the whole, served industrial cooperatives very well by making share capital and management talent available without any personal gain. The restrictive provisions will only hamper the growth and development of industrial cooperatives without any corresponding benefit.

(E) Section 31 on share of interest of member not liable to attachment, should alongwith saving deposits include compulsory deductions made by industrial cooperatives from wages or in the form of surcharge on the value of sale or supply of goods to members so that they would not be liable to attachment.

(F) Section 110 provides that the surplus assets of a society which has been wound up may be divided by the registrar amongst its members. Rule 90 permits, among other things, the division of surplus assets amongst members of societies which has been wound up, in proportion to the share capital held by each of them. This provision should not apply to industrial cooperatives. Being a weaker section of the cooperative movement, industrial cooperatives are directly or indirectly subsidised liberally by Government and, to some extent, even by the public. But for these subsidies, hardly any surplus would remain after an industrial cooperative is wound up. The distribution of surplus assets amongst

members would, therefore, mean only distribution of subsidies. Moreover the existing restrictions on declaration of dividend would lose all meaning if division of the entire surplus assets amongst members were permitted.

(G) Rules 51 and 52 provide for deduction of certain items from the profits of the society before arriving at net profits. Contributions to a price fluctuation reserve of an industrial cooperative should be allowed to be deducted from its profits before arriving at net profits.

(H) Rule 54(4) allows a processing society to utilise its reserve fund for the acquisition, purchase or construction of land, buildings and machinery, but an industrial producers' society has not been allowed to do so. The provisions of this clause should be made applicable to industrial cooperatives also, especially of the producers' type.

(I) Section 14(i) vests in the Registrar the powers of imposing amendments of bye-laws of cooperative societies. This is too sweeping an authority vested in him and offends against the cooperative principles. No difficulty has arisen in the field of industrial cooperatives which could not be resolved under the normal provisions of the cooperative law and which would warrant the vesting of extraordinary power as is done under this section.

(2) The Gujarat Cooperatives Act, 1961 :—This Act contains many of the provisions of the Maharashtra Cooperative Societies Act mentioned heretofore in this note. It does not, however, attempt to define a processing society or a producers' society, gives a sympathiser member the right to vote if such right is conferred on him by the bye-laws and does not provide for the division of surplus assets of a society which has been wound up, amongst its members.

Section 2(16) of the act defines "rebate" which is apparently intended to include bonus paid by a producers' society to its members in proportion to the wages earned by him. The dictionary meaning of rebate would not include such bonus. It is to be hoped, however, that the point will be clarified in the Rules which are yet to be made under the Act.

सत्यमेव जयते

## STATEMENTS



# STATEMENT I

*Progress of all Industrial Co-operatives (Including Banks)—1958 to 1961*

(Amounts in thousands of rupees)

Item	30-6-58	30-6-59	30-6-60	30-6-61
1. No. of societies .. ..	20 090	25,301	29,247	33,266
2. No. of members of which	17,66,835	20,07,563	23,08,501	25,63,706
(i) societies .. ..	13,873	18,742	20,807	22,324
(ii) individuals and others .. ..	17,52,962	19,88,821	22,87,694	25,41,382
3. Total liabilities .. ..	42,92,15	53,21,45	57,54,53	67,07,27
4. Working capital .. ..	34,43,11	41,12,28	46,74,36	53,80,94
5. Paid-up capital .. .. of which	7,94,61	9,73,56	11,59,59	13,96,16
(i) contribution by government .. ..	70,15	1,30,98	1,75,06	2,78,93
†(ii) contribution by members .. ..	7,24,46	8,42,58	9,84,53	11,17,23
6. Reserve and other funds .. ..	5,48,84	6,25,00	6,81,78	7,38,62
7. Owned funds .. ..	13,43,45	15 98,56	18,41,37	21,34,78
‡8. Borrowings of which	20,99,66	25,13,72	28,32,99	32,46,16
(i) from government .. ..	9,77,93	11,37,90	12,56,66	14,60,29
(ii) from coop. banks .. ..	5,81,33	7,92,29	9,30,31	9,76,46
‡(iii) from others .. ..	5,40,40	5,83,53	6,46,02	8,09,41
9. Total assets .. ..	43,97,32	53,63,39	57,17,78	67,48,99
10. Stocks of raw materials (value) .. ..	3,19,63	3,81,14	4,47,52	5,74,58
11. Stocks of finished goods (value) .. ..	7,75,20	9,97,93	9,41,73	10,49,39
12. Plants and equipment (value) .. ..	2,92,89	3,71,56	5,48,14	6,97,75
13. Balance of undistributed profits (+) or accumulated losses(—) .. ..	+1,05,16	+41,97	—36,70	+41 71
*14. Annual production (excluding weavers' federations and spinning mills) .. ..	43,72,95	46,70,54	44,14,56	50,42,33
*15. Annual sales .. ..	56,46,22	60,77,58	61,61,00	69,85,57
*16. Annual cost of management of which government subsidy .. ..	2,64,65	5,14,14	5,47,14	6,57,50
	25,26	32,51	34 34	54.68

Item	30-6-58	30-6-59	30-6-60	30-6-61
*17. Govt. subsidy for rebates to consumers .. ..	2,91,20	2,89,28	1,89,69	1,98,95
*18. Societies showing profit				
(i) Number .. ..	8,998	9,658	11,828	12,930
(ii) Amount .. ..	2,09,51	1,76,55	2,11,34	2,44,23
*19. Societies showing loss				
(i) Number .. ..	6,362	9,207	10,558	12,527
(ii) Amount .. ..	1,11,36	1,73,21	1,33,59	1,54,70
*20. No. of societies without profit or loss .. ..	4,388	6,507	6,851	7,810
*21. No. of looms .. ..	10,17,156	10,90,136	12,33,635	12,73,864
of which working .. ..	7,28,745	7,03,236	7,72,377	7,73,987
*22. No. of sales depots .. ..	2,989	3,644	3,684	3,799

†Includes contribution by individuals and others in the case of ind. Coop. banks.

‡Include deposits in the case of industrial cooperative banks.

\*During the year.



सत्यमेव जयते

## STATEMENT II

*Progress of Weavers' Societies—1958 to 1961*

(Amounts in thousands of rupees)

Item	30-6-58	30-6-59	30-6-60	30-6-61
1. No. of societies .. ..	9,893	10,472	11,274	11,947
2. No. of members .. ..	11,22,351	11,92,521	12,89,323	13,29,145
of which .. ..				
(i) societies .. ..	7,177	9,236	9,713	9,940
(ii) individuals and others .. ..	11,15,174	11,83,285	12,79,610	13,19,205
3. Total liabilities .. ..	26,99,01	32,64,04	32,25,76	34,98,62
4. Working capital .. ..	20,63,44	23,92,41	25,38,54	27,31,11
5. Paid-up capital .. ..	3,82,36	4,21,21	4,88,93	5,01,59
of which .. ..				
(i) contribution by Govt. .. ..	20,81	24,70	24,90	44,61
(ii) contribution by members .. ..	3,61,55	3,96,51	4,64,03	4,56,98
6. Reserve & other funds .. ..	4,28,03	4,83,14	5,15,64	5,51,11
7. Owned funds .. ..	8,10,39	9,04,35	10,04,57	10,52,70
8. Borrowings .. ..	12,53,05	14,88,06	15,33,97	16,78,41
of which .. ..				
(i) from Govt. .. ..	6,07,16	6,32,65	6,70,00	7,67,17
(ii) from cooperative banks .. ..	3,29,82	5,46,66	6,16,80	6,12,35
(iii) from others .. ..	3,16,07	3,08,75	2,47,17	2,98,89
9. Total assets .. ..	28,24,26	33,28,29	32,25,94	35,72,55
10. Stocks of raw materials (value) .. ..	2,34,13	2,67,44	2,68,92	3,38,55
11. Stocks of finished goods (value) .. ..	6,42,88	7,87,50	7,33,10	7,63,72
12. Plants & equipment (value) .. ..	77,15	1,00,92	1,46,56	1,87,49
13. Balance of undistributed profit (+) or accumulated losses(—) .. ..	+1,25,24	+64,27	+21	+73,91
*14. Annual production (excluding federations) .. ..	35,58,05	35,66,69	31,70,67	34,27,84
*15. Annual sales .. ..	47,27,92	47,51,78	45,95,29	50,09,11
*16. Annual cost of management of which Govt. subsidy .. ..	1,79,78 15,47	3,57,67 17,22	3,57,54 21,33	4,07,97 31,51

Item	30-6-58	30-6-59	33-6-60	30-6-61
*17. Govt. subsidy for rebates to consumers .. ..	2,83,52	2,76,32	1,88,33	1,90,13
*18. Societies showing profit				
(i) number .. ..	4,628	4,425	5,396	5,658
(ii) amount .. ..	1,65,09	1,24,07	1,41,16	1,47,05
*19. Societies showing loss				
(i) number .. ..	2,895	3,363	3,356	3,564
(ii) amount .. ..	67,88	97,78	61,41	69,12
*20. No. of societies without profit or loss .. ..	2,089	2,696	2,522	2,725
*21. No. of looms .. ..	10,13,613	10,83,886	12,24,829	12,68,829
of which working .. ..	7,25,965	7,00,057	7,66,786	7,70,720
22. No. of sales depots .. ..	2,459	2,918	2,722	2,889

\*During the year.





### STATEMENT III

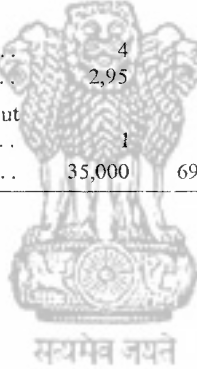
*Progress of Spinning Mills—1958 to 1961*

(Amounts in thousands of rupees)

Item	30-6-58	30-6-59	30-6-60	30-6-61
1. No. of spinning mills ..	10	14	16	21
2. No. of members ..	4,079	7,025	8,883	10,208
of which				
(i) societies .. ..	2,381	3,175	4,363	5,027
(ii) individuals and others	1,698	3,850	4,520	5,181
3. Total liabilities .. ..	2,26,03	3,06,57	3,97,94	5,39,72
4. Working capital .. ..	2,05,59	2,93,08	3,77,32	5,06,34
5. Paid-up capital .. ..	1,36,25	1,90,42	2,43,19	3,32,29
of which				
(i) contribution by government .. ..	29,53	65,33	96,89	1,50,55
(ii) contribution by members .. ..	1,06,72	1,25,09	1,46,30	1,81,74
6. Reserve and other funds .. ..	8,49	21,39	23,06	28,91
7. Owned funds .. ..	1,44,74	2,11,81	2,66,25	3,61,20
8. Borrowings .. ..	60,85	81,27	1,11,07	1,45,14
of which				
(i) from government .. ..	10,87	9,36	13,53	12,99
(ii) from cooperative banks .. ..	23,01	68,91	88,26	1,03,28
(iii) from I.F.C. .. ..	26,41	—	6,37	9,17
(iv) from others .. ..	56	3,00	2,91	19,70
9. Total assets .. ..	2,24,14	3,04,08	3,99,03	5,60,88
10. Stocks of raw materials (value) .. ..	18,97	24,67	45,02	44,50
*11. Raw materials purchased ..	40,80	61,34	1,07,50	1,36,60
12. Stocks of finished goods (value) .. ..	5,74	6,01	6,34	20,93
13. Plants and equipment (value) .. ..	1,06,07	1,24,55	1,72,92	2,20,08
14. Land and buildings (value)	28,00	34,84	45,63	69,75

Item	30-6-58	30-6-59	30-6-60	30-6-61
15. Stores and other fixed assets (value) .. .. .	12,88	8,12	31,92	64,60
16. Balance of undistributed profit (+) or accumulated losses (—) .. .. .	(—)1,89	(—)2,50	(+)1,10	(+)21,18
*17. Annual sales .. .. .	39,27	74,24	1,36,36	1,82,77
*18. Annual cost of management	5,62	16,51	39,46	35,57
*19. Societies showing profit				
(i) number .. .. .	5	9	9	13
(ii) amount .. .. .	1,99	4,87	14,44	21,85
*20. Societies showing loss				
(i) number .. .. .	4	5	6	3
(ii) amount .. .. .	2,95	6,50	8,01	1,53
*21. No. of societies without profit or loss .. .. .	1	—	1	4
22. No. of spindles .. .. .	35,000	69,000	1,50,962	1,75,122

\*During the year.



# STATEMENT IV

*Progress of Industrial Cooperative Banks—1958 to 1961*

(Amounts in thousands of rupees)

Item	30-6-58	30-6-59	30-6-60	30-6-61
1. No. of banks .. ..	9	9	9	10
2. No. of members .. ..	4,527	5,393	6,967	7,035
of which				
(i) societies .. ..	1,544	1,629	1,713	1,872
(ii) individuals & others	2,983	3,764	5,254	5,163
3. Total liabilities .. ..	3,54,73	3,98,31	4,37,64	4,41,46
4. Working capital .. ..	3,49,52	3,90,45	4,27,44	4,32,20
5. Paid-up capital .. ..	77,57	84,18	90,42	99,53
of which				
(i) contribution by govt.	16,00	17,85	21,18	27,18
(ii) contribution by societies .. ..	56,54	61,14	63,13	65,38
(iii) contribution by others .. ..	5,03	5,19	6,11	6,97
6. Reserve & other funds .. ..	4,11	10,80	16,14	19,60
7. Owned funds .. ..	81,68	94,98	1,06,56	1,19,13
8. Deposits .. ..	75,89	1,04,77	1,34,41	1,42,47
9. Borrowings .. ..	1,91,95	1,90,70	1,86,47	1,70,60
of which				
(i) from govt. .. ..	1,64,12	1,67,89	1,71,47	1,55,04
(ii) from R.B.I. and state coop. bank .. ..	27,49	22,81	15,00	12,42
(iii) from other parties .. ..	34	—	—	3,14
10. Total assets .. ..	3,62,09	4,04,64	4,45,42	4,50,84
11. Loans outstanding .. ..	1,89,07	2,08,89	2,15,36	2,26,56
of which				
(i) overdue .. ..	14,76	30,73	50,26	40,43
(ii) bad & doubtful debts .. ..	20	73	93	96
%12. Advances .. ..	3,28,56	2,85,13	3,41,06	3,47,24
13. Balance of undistributed profits (+) or accumulated losses (—) .. ..	+7,36	+6,33	+7,78	+9,38
*14. Annual cost of management	2,32	5,98	5,60	4,33
*15. Profits .. ..	6,14	5,42	6,62	6,72

\*During the year.

% Includes bills discounted.

# STATEMENT V

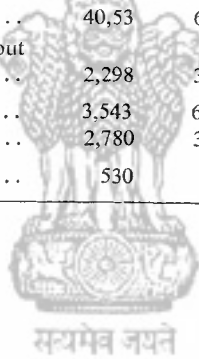
*Progress of other Industrial Societies—1958 to 1961*

(Amounts in thousands of rupees)

Item	30-6-58	30-6-59	30-6-60	30-6-61
1. No. of societies .. ..	10,178	14,806	17,948	21,288
2. No. of members .. ..	6,35,878	8,02,624	10,03,328	12,17,318
of which				
(i) societies .. ..	2,771	4,702	5,018	5,485
(ii) individuals and others	6,33,107	7,97,922	9,98,310	12,11,833
3. Total liabilities .. ..	10,12,38	13,52,53	16,93,19	22,27,47
4. Working capital .. ..	8,24,56	10,36,34	13,31,06	17,11,29
5. Paid-up capital .. ..	1,98,43	2,77,75	3,37,05	4,62,75
of which				
(i) contribution by government .. ..	3,81	23,10	32,09	56,59
(ii) contribution by members .. ..	1,94,62	2,54,65	3,04,96	4,06,16
6. Reserve and other funds ..	1,08,21	1,09,67	1,26,94	1,39,00
7. Owned funds .. ..	3,06,64	3,87,42	4,63,99	6,01,75
8. Borrowings .. ..	5,17,92	6,48,92	8,67,07	11,09,54
of which				
(i) from government	1,95,78	3,28,00	4,01,66	5,25,09
(ii) from cooperative banks .. ..	2,01,01	1,53,91	2,10,25	2,48,41
(iii) from others .. ..	1,21,13	1,67,01	2,55,16	3,36,04
9. Total assets .. ..	9,86,83	13,26,38	16,47,39	21,64,72
10. Stocks of raw material (value) .. ..	66,53	89,03	1,33,58	1,91,53
11. Stocks of finished goods (value) .. ..	1,26,58	2,04,42	2,02,29	2,64,74
12. Plants and equipment (value) .. ..	1,09,67	1,46,09	2,28,66	2,90,18
13. Balance of undistributed profit (+) or accumulated losses (—) .. ..	(—)25,55	(—)26,13	(—)45,79	(—)62,76

Item	30-6-58	30-6-59	30-6-60	30-6-61
*14. Annual production ..	8,14,90	11,03,85	12,43,89	16,14,49
*15. Annual sales .. ..	8,79,03	12,51,56	14,29,35	17,93,69*
*16. Annual cost of management of which government subsidy .. ..	76,93 9,79	1,33,98 15,29	1,44,54 13,01	2,09,63 23,17
*17. Government subsidy for rebates to consumers ..	7,68	12,96	6,36	8,82
*18. Societies showing profit				
(i) number .. ..	4,356	5,215	6,414	7,249
(ii) amount .. ..	36,29	42,19	49,12	68,63
*19. Societies showing loss				
(i) number .. ..	3,463	5,839	7,196	8,960
(ii) amount .. ..	40,53	68,93	64,17	84,05
*20. No. of societies without profit or loss .. ..	2,298	3,811	4,328	5,081
*21. No. of looms .. ..	3,543	6,250	8,806	5,035
of which working ..	2,780	3,179	5,591	3,267
22. No. of sales depots ..	530	726	962	910

\*During the year.



# STATEMENT VI

*Number of Industrial Cooperatives at the end of the Second Plan-industrywise.*

Industry		No. of coopera- tives
1. Handloom .. .. .		11,947
2. Khadi .. .. .		855
3. Village industries .. .. .		11,346
Leather .. .. .	1,582	
Blacksmithy and carpentry .. .. .	236	
Village pottery .. .. .	609	
Dehusking of paddy .. .. .	1,389	
Village oil .. .. .	3,593	
Non-edible oil and soap .. .. .	307	
Gur and Khandsari .. .. .	411	
Palmgur .. .. .	2,902	
Bee-keeping .. .. .	122	
Fibre .. .. .	93	
Handmade paper .. .. .	84	
Cottage match .. .. .	18	
4. Handicrafts .. .. .		1,948
Embroidery .. .. .	380	
Cane and bamboo work .. .. .	345	
Mats manufacture .. .. .	162	
Brass and bell metal work .. .. .	178	
Toys and dolls .. .. .	71	
Wood work .. .. .	110	
Handprinting and dyeing .. .. .	125	
Traditional artistic weaving .. .. .	65	
Ceramics .. .. .	96	
Artistic leather work .. .. .	80	
Carpets, druggets, gabbas and other floor cover- ing .. .. .	55	
Jewellery, filigree work and gold and silver wares, ivory, shell horn and horn work .. .. .	121	
Fibre, grass and leaf products (artistic) .. .. .	30	
Papier machie .. .. .	6	
Stone carving .. .. .	29	
Perfumery .. .. .	13	
Musical instruments .. .. .	14	
Others .. .. .	68	
5. Coir .. .. .		446
6. Sericulture .. .. .		81
7. Salt .. .. .		33
8. Spinning mills .. .. .		21
9. Industrial banks .. .. .		10
10. Small scale and others .. .. .		6,579
		<u>33,266</u>

## STATEMENT VII

*Illustrative list of SSI Cooperatives assisted by the Small Industries Service Institutes and the National Small Industries Corporation*

- |  |  |
|--|--|
| 1. Hosiery.  | 21. Cutlery.                             |
| 2. Foot-wear making.                               | 22. Metal rolling.                       |
| 3. Garment making.                                 | 23. Hardware.                            |
| 4. Umbrella handles.                               | 24. Aluminium goods.                     |
| 5. Carpentry & wood work<br>(including furniture). | 25. Postal seals.                        |
| 6. Printing press.                                 | 26. Brass copper and bell metal<br>work. |
| 7. Tanning and leather work.                       | 27. Blacksmithy.                         |
| 8. Rubber goods.                                   | 28. Agricultural implements.             |
| 9. Matches.  | 29. Sewing machines.                     |
| 10. Pharmaceuticals.                               | 30. Beam scales.                         |
| 11. Other chemical products.                       | 31. General engineering works.           |
| 12. Bricks and tiles.                              | 32. Electrical accessories.              |
| 13. Glassware.                                     | 33. Radio accessories.                   |
| 14. Pottery and earthenware.                       | 34. Motor parts manufacture.             |
| 15. Conduit pipe manufacture.                      | 35. Bicycle parts manufacture.           |
| 16. Foundries.                                     | 36. Brush making.                        |
| 17. Nonferrous metal works.                        | 37. Sports goods.                        |
| 18. Steel trunks.                                  | 38. Mechanical toys.                     |
| 19. Sheet metal work.                              | 39. Stationery.                          |
| 20. Locks.   | 40. Bidi making.                         |

# STATEMENT VIII

## *Operation of handloom finance under Section 17(2)(bb) of RBI Act.*

(Amount in thousands of rupees)

	1957-58	1958-59	1959-60	1960-61	1961-62	1962-63
(a) Apex banks						
(i) total ..	21	22	22	21	21	21
(ii) number which availed of RBI scheme on be- half of (b) and						
(c) .. ..	6	12	13	12	13	12
(b) Central banks						
(i) total .. ..	418	402	400	390	390	372
(ii) number which availed of RBI scheme	63	126	95	100	107	117
(c) apex societies which availed of RBI scheme .. ..	3	7	4	3	4	4
(d) amount sanctioned by RBI @ .. ..	1,80,19	2,27,27	2,32,93	2,95,49	3,68,88	5,18,34
(e) amount drawn @ ..	49,28	1,74,03	1,73,47	2,39,89	3,54,30	4,51,66

@During the financial year.



# STATEMENT IX

## *Progress of Coir Cooperatives*

(Amounts in thousands of rupees)

Item	Position as at the end of		
	First Plan	Second Plan	Third Plan
Number of societies .. .. .	187	446	700
Number of members (in thousands) ..	45	112	250
Working capital .. .. .	62,62	1,42,75	2,50,00
Share capital .. .. .	7,09	14,18	30,00
Annual sales .. .. .	48,82	1,97,56	4,70,00
Annual exports .. .. .	1,90	28,13	1,50,00



# STATEMENT X

## *Third Plan Targets for Industrial Cooperatives—Number of Societies, Membership and Working Capital.*

State					No. of Industrial cooperatives	No. of individual Members (Figures in '000)	Working capital (Amounts in Rupees crores)
1					2	3	4
Andhra Pradesh	..	..	..	..	5,090	600	16·85
Assam	..	..	..	..	1,900	49	0·52
Bihar	..	..	..	..	2,750	220	4·30
Gujarat	..	..	..	..	1,400	105	7·00
Jammu & Kashmir	..	..	..	..	90	7	0·23
Kerala	..	..	..	..	3,400	445	8·65
Madhya Pradesh	..	..	..	..	2,420	115	3·00
Madras	..	..	..	..	4,400	662	21·00
Maharashtra	..	..	..	..	4,150	325	16·20
Mysore	..	..	..	..	2,400	425	13·65
Orissa	..	..	..	..	1,400	115	2·50
Punjab	..	..	..	..	5,400	143	5·60
Rajasthan	..	..	..	..	4,100	140	4·35
Uttar Pradesh	..	..	..	..	5,600	355	10·00
West Bengal	..	..	..	..	2,300	250	3·70
Nagaland & Union Territories	..	..	..	..	1,200	44	2·45
TOTAL					48,000	4,000	120·00

# STATEMENT XI

## Third Plan Provision of Government funds—estimates for industrial cooperatives.

(Amounts in Rs. crores)

State	Total Plan provision under the head “village & Small Industries” (Exclud- ing KVI)	Of which estimated provision for in- dustrial coopera- tives	Of which allocations for hand- loom coopera- tives	Total estimated provision for all industrial coopera- tives (Includ- ing KVI)
1	2	3	4	5
Andhra Pradesh .. .. .	12·67	7·15	5·40	9·55
Assam .. .. .	4·40	1·00	0·65	1·40
Bihar .. .. .	11·03	3·00	2·00	6·15
Gujarat .. .. .	3·73	1·15	0·65	3·20
Jammu & Kashmir .. .. .	4·00	0·45	0·23	0·60
Kerala .. .. .	8·00	3·15	1·65	3·85
Madhya Pradesh .. .. .	8·29	2·45	0·66	3·95
Madras .. .. .	20·16	10·40	8·00	12·70
Maharashtra .. .. .	8·02	3·75	1·80	6·80
Mysore .. .. .	7·75	3·70	2·10	5·15
Orissa .. .. .	5·87	2·75	1·16	3·65
Punjab .. .. .	11·08	2·95	0·45	4·80
Rajasthan .. .. .	5·00	1·50	0·37	3·25
Uttar Pradesh .. .. .	17·74	5·95	2·75	8·85
West Bengal .. .. .	9·96	3·75	3·14	4·90
Union Territories .. .. .	4·31	1·01	0·39	1·20
Central .. .. .		4·00	2·60	4·00
<b>TOTAL .. .. .</b>		<b>58·61</b>	<b>34·00</b>	<b>84·00</b>

## EXPLANATORY NOTES



## EXPLANATORY NOTE ON SOCIETIES OF SMALL INDUSTRIALISTS

BY SHRI M. P. BHARGAVA

I agree with the recommendations contained in the report regarding promotion of industrial cooperatives for artisans and workers. However, I am unable to bring myself to agree with the proposals made in the report in regard to societies of entrepreneurs, small scale manufacturers, industrialists and master-craftsmen.

2. In paras 122 and 123 of the main report, it has been indicated that "along with the necessity of paying due attention to the formation of workers cooperatives, the need for organisation of societies of craftsmen and small manufacturers cannot be ignored." "It is expected that a substantial number of such societies would be organised during the Third Plan in the field of handicrafts, coir and small scale industries on an industry-wise basis. This would include societies of (i) small artisans, (ii) master-craftsmen and (iii) small industrialists. *A distinction will be necessary in regard to the nature and quantum of assistance that would be provided to the three categories of societies care being taken to see that special assistance meant for the societies consisting of workers and artisans is not utilised by the societies formed by well-to-do master-craftsmen and industrialists.*" After laying down the above broad approach, the main report makes a large number of detailed recommendations for financial and other assistance to industrial cooperatives. It is necessary to examine whether and to what extent these detailed recommendations conform to the principle set out above.

3. The important recommendations of the main report in regard to financial and other assistance to industrial cooperatives are summarised below :—

- (i) Ordinarily the rate of interest to be charged to an industrial cooperative should not be less than the Reserve Bank rate *i.e.*, 4½%. It will be necessary to charge a lower rate of interest to groups of societies that are organised with socio-economic considerations and require a longer period of promotional assistance. To cover the overhead costs of financial institutions, as well as an element of risk of losses, the state should give to the cooperative banks, grant at the rate of 3 to 3½%. The rate of grant may be reduced if higher rate of interest is prescribed, conversely the grant may be increased in case a lower rate is charged. The rate of interest of loans to individuals should be 6½%.
- (ii) Industrial cooperative societies should be allowed a price preference of not less than 6% as between quotations of small scale units and in the case of Central Government and those State Governments which have not already introduced a more liberal pattern, 15% preference over the quotations of large industrial units.
- (iii) Managerial grant from government to S.S.I. (small scale industries) and other types of cooperatives should cover the cost of (a) a manager or a secretary; (b) an accountant; (c) an engineer, designer or similar other technician and (d) a qualified salesman if appointed by the society. (Although the period for and the basis on which the grant should be given, has not been specifically mentioned in the recommendation, the intention appears to be that government should bear 100% of the expenses in the first year, 75% in second year and 50% in the third year and 25% in the 4th year).

- (iv) The Government should pay to central financing agency a grant equivalent of 1% of loans and credits drawn by production type of industrial cooperatives in the course of any given year.
- (v) Government should participate in the share capital of industrial cooperatives either by way of loans to their members or by subscribing to the share capital of society itself.
- (vi) For ensuring supply of controlled commodities separate quotas may be allocated to industrial cooperatives.

4. It would be seen from para 3(i) above that a distinction has been made in the main report in regard to rate of interest to be charged to societies that are organised with socio-economic considerations and other types of societies. Even though the term workers cooperatives has not been used, it is the intention of the Group that the benefit of concessional rate should be available to the workers cooperatives.

5. In regard to other facilities, namely price preferences, reservation of separate quota of raw materials, share capital participation, no distinction has been made in the main report, regarding the terms available to workers cooperatives, and the cooperatives of the small industrialists. Consequently, cooperatives of master-craftsmen and small industrialists will qualify for and claim all the assistance mentioned above and the resources of the state would be available to and utilised by the entrepreneurs cooperatives to compete with the workers cooperatives in the same trade or craft. For instance, in one of the States visited by us, an entrepreneur had organised a cooperative for tape manufacture. Another entrepreneur had a cooperative for lathe manufacture. These were cooperative concerns of the family and friends and workers had no voice in the management. In these very trades workers could also establish their societies. In terms of the recommendations made in the main report, both types of cooperatives would be entitled to 6% price preference over other small scale tape or lathe manufacturers. Both types of cooperatives could claim managerial assistance. The entrepreneurs cooperatives would also get parity with the workers cooperatives in the allotment of scarce raw-materials. In my view, such a policy would place the workers cooperatives to a disadvantage, hamper their growth and eventually drive them out of business. This would defeat the very objective of assisting the weaker sections of the community and would not be in conformity with the policy enunciated in the Third Plan that "where the bulk of the people live so closely to the margin of poverty, claims of social justice, of right to work, of equal opportunity and of a minimum level of living have great urgency. Economic activity must, therefore, be so organised that the tests of production and growth and those of equitable distribution are equally met." "While some of the old distinctions are passing a process which is being speeded up—urbanisation and the growth of modern industry tend to introduce new disparities in the level of income and opportunity. In turn these are the spirit of acquisitiveness. It is the aim of public policy to check the spirit of acquisitiveness. It is the aim of public policy to check undesirable tendencies".

6. While in its earlier part, the main report recognises the necessity of paying due attention to the formation of workers cooperatives, at the end of the report, in outlining the programme for the 4th plan, the report says in para 283 that "in the field of mechanised industries we expect a further growth in the cooperatives of small industrialists most of which will be service cooperatives involving a high rate of increase in the paid-up and working capital of societies. This will also attract

to the movement persons with higher managerial and business calibre resulting in improvement in the purchase and sales service and a faster rate of turnover of capital." There is no reference in this chapter to the place of workers' cooperatives in the mechanised industries.

7. During the course of our tours we saw in Bombay and Calcutta four successful cooperatives of workers in mechanised small scale industries. The leadership was thrown up from among the workers, the trade union also gave its support. There is no doubt in my mind that there is very great scope for organising workers' cooperatives also in mechanised industries. Of course, the results will be slow and call for much greater effort, patience and perseverance. I feel convinced that the administrative and technical machinery of the government is capable of promoting and building up workers cooperatives on a sound footing. The progress in this regard has been somewhat unsatisfactory and disappointing so far, largely because in the last eight years, government policy has not been quite clear and the emphasis has shifted increasingly to entrepreneurs' cooperatives. The first working group on industrial cooperatives recommended that there should be no objection to the registration of an industrial cooperative society of small entrepreneurs provided (i) that the workers employed by each entrepreneur are also admitted as its members and (ii) that no entrepreneur member employs more than ten workers. These safeguards were suggested because the First Working Group foresaw the risks involved in the formation of entrepreneurs' cooperatives.\* Even these minimum safeguards were not accepted by the Government which further widened the scope for entrepreneurs cooperatives (*vide* C&I Ministry's resolution, dated 7-11-59). The resolution said that "Government consider that industrial cooperatives (of entrepreneurs) should include formation of all suitable categories of societies such as societies for (i) production, (ii) processing, (iii) assembling, (iv) common facilities, (v) societies for establishment of industrial estates, (vi) industrial development areas etc. Also societies should be registered irrespective of the numbers (of workers employed by an entrepreneur) as long as the minimum requirements under the cooperative law current in the state are fulfilled."

8. In view of the rejection of the two safeguards and further widening of the scope of the entrepreneurs' cooperatives by the government, a large number of such cooperatives have been established in the country. Recently in the state of Punjab, 'the Panjab Cooperative Woollen Goods Producers' Society' has been registered for the manufacture of wool-tops. Wool-top manufacture is a specialised big industry. The membership of the society consists of (1) Wool Spinners, (2) Hosiery manufacturers, (3) Artisans and Workers, (4) State, and (5) Central and State Cooperative Banks. In fact the term Wool Spinner means, by and large the spinning mills many of which are Joint Stock Companies or firms. The hosiery manufacturers include both big and small units of Joint Stock Companies, Partnership as well as proprietary concerns. The major portion of the capital has been contributed by the representatives of the large units of spinners who have set up the cooperative for furthering their own interests.

9. Major deviation from the basic cooperative policy has been taking place continuously in the field of industrial cooperatives. It may be pointed out in this connection that the Third Plan has stressed the following concept :

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\*Even at the stage as a member of First Working Group I had expressed myself against the formation of entrepreneurs' cooperatives.

"A rapidly growing cooperative sector with special emphasis on needs of the peasants, workers and consumers becomes a vital factor for social stability, for expansion of employment and opportunities for rapid economic development."

10. This country has also witnessed in the last 7 years what the farmers can achieve if government lays down a clear policy and implements it in a determined manner. In the year 1955-56 there were only 3 cooperative sugar factories which produced 26,000 tons of sugar which was 1.4 per cent of the total sugar production. In 1962-63, the number of cooperative sugar factories in production went up to 41. They manufactured 4.7 lakh tons of sugar and accounted for 21 per cent of the total production. The number of cooperative sugar factories would soon go up to 57 and they would account for 25 to 30 per cent of the total production. A sugar factory costs about Rs. 1 to 1.5 crores. It produces 10 to 12 thousand tons of sugar annually. Their membership consists of 3,000 to 5,000 farmers. In some cases their number exceeds 10,000. These large cooperative units have come up and have on the whole been a success without the help of the industrialists or businessmen because as in any other enterprise the Board of Directors employed skilled scientists, technicians and managers. Similarly the handloom weavers and their cooperatives had set up 4 Spinning Mills by the end of the Second Plan; 12 more Cooperative Mills would be functioning at the end of the Third Plan and another 8 Mills would be in different stages of installation. With this experience of farmers and weavers' cooperatives, there is no reason to believe that in the mechanised small scale industry workers will not be able to set up and operate successfully their production or service cooperatives. In fact, after evaluating the positive and negative results achieved so far and identifying the factors which account for the success, patterns locally suitable for workers' cooperatives can be evolved. I, therefore, recommend that in the remaining period of the Third Plan as well as in the entire Fourth Plan financial assistance on the lines suggested in the main report should be given only to workers' cooperatives.

11. I also suggest that financial assistance should not be given to cooperatives of small industrialists; such societies should not even be registered. The reasons for this suggestion are discussed in the subsequent paragraphs. Before going into them, however, I would like to state that I am not opposed to the establishment of small scale mechanised industry by small manufacturers or industrialists who form themselves into a partnership, a limited company under the Companies Act (public or private) or set up their organisation in any other manner. I recognise that private sector has an important place in our economy particularly in the development of decentralised small scale industry. If they have difficulties these must be removed promptly. Government may, after carefully considering their needs, give adequate financial assistance to them as units in the 'private sector'. The scale of assistance may be the same as suggested in the main report or it may be even more liberal if it is warranted on merits.

12. What I object to is that an organisation which does not have the essential characteristics of a cooperative and is in reality a unit in the private sector should be registered as a cooperative and given financial assistance because it has a cooperative signboard. Due to this process which has gone on in the country for the last 7 years and which has been recommended in the main report for continuance till the Fourth Plan, large allocations are claimed in the name of cooperative sector and very precious and scarce resources are given as loans and subsidies to those who are not the most needy, nor the most eligible nor the most



deserving. In this process the Government and the people tend to gain the impression that the cooperative sector is advancing in the sphere of small scale industry whereas in fact a class of vested interest receives strength and support.

13. While in some foreign countries registration of an institution as a cooperative society does not confer any special privileges the position is different in India. Cooperatives were started in this country for the promotion of self-help and fostering the economic interest of agriculturists, artisans and persons of limited means. Persons joined the cooperatives voluntarily as human beings on a basis of equality for improving their economic condition by mutual aid. Cooperation differs from several other forms of combination like cartels, rings, trusts which may resemble it in some cases by adopting some of its operational methods because a cooperative never seeks to achieve its objectives by exploitation of or doing injury to others. It is, therefore, that a number of privileges were conferred on cooperatives from 1912 onwards. After independence, in the planned economy, pledged to the values of socialism and democracy, cooperatives have been accepted as the principal basis for organisation of economic life in the rural and urban sectors particularly in spheres where large number of decentralised units are functioning. The cooperative programme is directed to the farmer, the worker and the consumer because these groups constitute the base as well as the weakest link in the economy. In the priorities they come first and deserve the greatest attention. The small scale industrialist or manufacturer does not fit into or come up in the scale of these priorities for several reasons discussed hereafter.

14. The term small scale industrialist or manufacturer has not been defined anywhere in the main report. I have not been able to get an authentic definition of these terms in other published literature. But the C & I Ministry has defined the term 'small scale industry' as a manufacturing unit having Rs. 5 lakhs as fixed capital. For units working as ancillary to large scale units and producing parts and components of 9 groups of industries such as bicycle, electric machinery, etc. the limit of fixed capital is Rs. 10 lakhs. The earlier definition included an important condition, namely, the unit should not employ more than 50 persons using power and fewer than 100 persons if no power is used. This definition was amended subsequently to refer to the number of employees 'per shift'. In early 1960 the limitations in terms of the employees were removed altogether.

15. A view has been expressed in some quarters that a person who sets up a unit with Rs. 5 lakhs as fixed capital should be treated as a small scale industrialist. This definition may hold good where an entrepreneur puts all his resources into his industry and depends on it exclusively for his living. But during the course of our tour we have come across many cases where wealthy bankers, rich money-lenders and industrialists running big and medium industries are starting small scale units and claiming advantage of the facilities available to small scale societies.

16. The point at issue is: should people belonging to this category be enrolled as members of cooperatives and given assistance. Assuming for the sake of argument that formation of such cooperatives is allowed it would be necessary to consider the repercussions of this policy on other types of cooperatives. Just as there are small industrialists, there are small contractors, small shopkeepers, small traders and small money-lenders. Even though persons belonging to each one of the foregoing categories may be 'small' in relation to the 'bigger' men in his category the so-called small contractors, traders, money lenders or the shopkeepers are very powerful *vis à vis* the labourers, farmers or the consumers who

and themselves helpless before these 'smallmen'. A large programme of labourers cooperatives has, therefore, been evolved to safeguard the interests of labourers. A Centrally sponsored scheme of consumers cooperatives at a cost of Rs. 10 crores has been sanctioned and people are being encouraged and assisted by the government to set up their own stores to ensure supply of daily necessities of life at fair rates because it has been found that in a developing economy and more especially during the period of emergency, the retail and the wholesale traders do not always play their proper role. Service cooperative societies and cooperative marketing societies are formed by the agriculturists and not by the money-lenders or grain merchants. In fact, in the last few years there is a growing public opinion that societies of middle men, be they traders, contractors, money lenders, or shopkeepers or small industrialists should not be registered and wherever these have been registered they should be weeded out. In this wider context, formation of and assistance to cooperatives of small industrialists appears to be contrary to public policy.

17. Lastly, I would like to invite attention to the recommendations contained in paragraphs 29, 116 and 206 in the main report which relate to cooperative industrial estate. This cooperative is formed by a group of small industrial units. The society purchases and develops land or takes it on lease, lays out roads, provides water, power, drainage and other facilities. Some of them are also intending to undertake supply of raw materials, set up common facility workshops and provide transport services. A target of 100 cooperative industrial estates has been set in the Third Plan. An allocation of Rs. 4 crores is likely to be made for this purpose. According to the main report, cooperative industrial estate is a more practical approach than the industrial estate set up by the Government because the former usually includes the nucleus of entrepreneurs who ensure the selection of suitable locations, construction of structure at a reasonable cost and designing them according to the needs of the members. The main report further recommends Government grants to these cooperatives towards the salary of a manager, an engineer and an accountant. This subsidy will be 100 per cent in the first year, 75 per cent for the second, 50 per cent for the third and 25 per cent for the fourth. The subsidy has been justified on the ground that its incidence will be lower than the concessions available to the industrialists in the Government industrial estates. The main report does not suggest an upper limit in money terms per society. It may, however, not be very incorrect to assume that the manager would get a monthly salary of about Rs. 300, an engineer Rs. 500 and an accountant Rs. 200. On this basis Government will have to pay a total subsidy of Rs. 30,000 per society in a period of 4 years. It might be recalled that in the agricultural sector a service cooperative and a farming society receives a total subsidy of Rs. 900 and Rs. 1,200 respectively over a period of 3 to 5 years. The total subsidy admissible to a cooperative marketing society does not exceed Rs. 5,000. In my view, there is no case for subsidy for managerial cost to cooperative industrial Estate. If as mentioned in the main report, liberal concessions are available to industrialists in Government industrial estates the position should be reviewed and concessions curtailed in any case, these features of the Government estates should not be introduced into cooperatives.

18. The membership of cooperative industrial estates also consists of the so called 'small industrialists' which term, as mentioned earlier has not been defined. Really speaking these cooperatives are cartels of influential men for getting various concessions from the Government without undertaking any social responsibility either to the community or to the workers. When Government is hard pressed for resources and

19. It is also necessary to be clear about other modes of assistances. Office bearers of one such cooperative industrial estate visited by us received allotment of 200 wagons of coal for making bricks while in the same city a workers' cooperative engaged in production of hand made paper could not get a wagon of coal and was buying more expensive firewood to provide employment to its members. At the time of our visit when this difficulty came to the notice of the officers of the state, they agreed to allot a wagon load of coal to the workers' cooperative. These, however, are ad hoc remedies and accidental solutions. In most cases because of their advantageous position and knowledge of things, the small industrialists who form their cooperatives are in a better position to contact Government departments and other concerned agencies and present their problems much more effectively to obtain assistance. On the other hand the representatives of workers cooperatives are usually at a handicap in this regard.

20. The organisation of entrepreneurs' cooperatives will only perpetuate these inequities. I, therefore, urge that all efforts and resources should be directed to the promotion of industrial cooperatives of workers.

## EXPLANATORY NOTE ON SOCIETIES OF SMALL INDUSTRIALISTS

BY THE CHAIRMAN

Shri Bhargava had not placed the various arguments urged in his explanatory note before the Working Group for discussion round the table or in the form of a written memorandum till after the report was signed by other members of the Group. Had he done so earlier, I have no doubt that the Working Group would have contained his arguments in the body of the report and explained the considerations which weighed with the rest of the members in making the various recommendations pertaining to the registration of and assistance to the cooperative societies of small industrialists and master craftsmen. Moreover, the recommendations of the Working Group were broadly in consonance with the present policy of the Ministry of Commerce and Industry which was laid down some years ago in consultation with the Ministry of Community Development and Cooperation and the Working Group had not come across sufficient facts to warrant a departure therefrom. Nevertheless as Shri Bhargava has insisted on the publication of the note containing his arguments, it would be desirable to state some of the considerations which, I believe, weighed with the Group in continuing the present policy on the subject.

2. At the outset it needs to be appreciated that the Working Group has made a distinction between a production society and a service society of the small industrialists and master craftsmen. The Group's recommendation is for the latter type of organisation whereas Shri Bhargava's arguments pertain more to the former than the latter. It is also to be noted that the recommendation of the Group could not reasonably be interpreted to sacrifice the interests of the actual worker and the small craftsmen. On the contrary the Group has been extremely solicitous of their needs and welfare and has recommended special assistance to them on socio-economic considerations.

3. Shri Bhargava's differences centre round the recommendations of the Group in paras 122 and 123, where it has been indicated that "..... it is expected that a substantial number of such (service) societies would be organised during the III Plan in the field of handicrafts, coir and small scale industries on an industry-wise basis. This would include societies of (i) artisans, (ii) master-craftsmen and (iii) small industrialists. A distinction will be necessary in regard to the nature and quantum of assistance that would be provided to the three categories of societies, care being taken to see that special assistance meant for the societies consisting of workers and artisans is not utilised by the societies formed by well-to-do master-craftsmen and industrialists". Shri Bhargava's view is that "financial assistance should not be given (at all) to cooperatives of small industrialists; such societies should not even be registered". As regards managerial assistance to cooperative industrial estates, his view is that concessions available to small industrialists in Government industrial estates should be reviewed and curtailed rather than extending the assistance to cooperative estates. In any case, he thinks, the features of concessions to small industrialists in Government estates should not be introduced into cooperatives.

4. The industrial policy of the country recognises the role of the small industries in the national economy. It also recognises the fact that they form a relatively weak sector in the gamut of industrial set-up of the country and therefore need various types of incentives and assistance such as have been provided in the different Plan programmes. These have been determined by considerations of wider economic policy such

as the need for dispersal of industries to industrially backward areas, industrialisation of rural areas, decentralisation of industrial activity enabling small industrial units to reduce costs of production and so on. This assistance could preferably be routed through cooperative societies which can work more economically and democratically than other forms of organisations dealing directly with industrial units. Cooperatives of small industrialists can also place the members in a stronger position in regard to the provision of supply, sale and other services at more favourable terms from sources other than Government as well and their formation would, therefore, be in tune with the policy of assistance being followed by Government.

5. It has been recognised in the Third Plan that an increasingly larger cooperative content has to be provided to the country's industrial programme. This opportunity would be denied to the industrial sector if a strict view is taken of limiting the cooperative organisation to workers alone. Industrial production in India is not sought to be confined to a workers' community but aims at a balanced development of the different sectors of the economy and offers a due place to the middle class. The question whether the cooperative movement should include a programme to assist the middle class or not relates to a much wider sphere than the industrial cooperatives alone. Organisation of cooperatives of small industrialists is not new to the cooperative movement in India and elsewhere. It has kept its doors open to the middle class and their cooperatives have formed a substantial proportion of the movement in some countries. It was over a hundred years back that Schulze Delitzsch started organising cooperatives of small industrialists for credit, supply, sales and other purposes. It is these societies that inspired the growth of the urban cooperative banks in India. The organisation of societies of small industrialists for other services is only another step in the same direction. There is a growing public opinion in favour of organisation of such societies in India.

6. It is not necessary to bar this development on account of the fact that the members employ some workers. The rights and interests of the latter are protected in many other ways. The role of the workers as employees in factories has been duly recognised and there are different labour laws and programmes to protect their interests. Moreover, with higher and more ensured earnings ensured by the service cooperatives the small industrialists will be able to give better facilities to the workers.

7. It is not correct to say that "the Government and the people tend to gain the impression that the cooperative sector is advancing in the sphere of small scale industry whereas in fact a class of vested interests receives strength and support". The facts and figures enumerated in the report bear testimony to the fact that the bulk of the industrial cooperatives are those of craftsmen and workers and a major portion of the programme relates to these societies. The societies of small industrialists form a negligible percentage of the total number of industrial cooperatives. Even in these societies the number of industrialists who can stand on their own legs without support is very small, a majority of members being those who are struggling for existence. It is, therefore, not correct to talk of cartels, rings, trusts, etc. when talking of the assistance to small industrialists. Nor is it correct to give an impression that the members of these societies consist of "wealthy bankers, rich money lenders and industrialists running big and medium industries". The cooperative woollen goods producers society that has been quoted is of a specialised type organised under special circumstances with the ultimate aim of allowing the wool weavers' cooperatives, hosiery cooperatives and

individual hosiery units to get woollen yarn spun from imported wool tops at reasonable rates. This type is not expected to become the general rule and it is not correct to make generalisations based on such exceptional instances. Most of the other cases quoted by Shri Bhargava are *those of workshop (production) cooperatives*, which is not relevant since the Working Group has not advocated enrolment of small industrialists as members of the workshop cooperatives. The Group has, of course, supported the establishment of common facility workshops by service cooperatives of small industrialists and master-craftsmen to allow them the benefit of such machines as are required to improve the quality of their products and reduce their cost but which cannot be set up by individual members. The examples of this type of society are the wire drawing plant established by the jari goods producers' cooperative or the calendaring, printing and finishing plant set up by the weavers' cooperative at Surat. The wire drawing plant has allowed members to eliminate dependence on middlemen whose charges for similar services are very heavy. The art silk weavers of Surat have developed an export market which they could not have in the absence of the services provided by the society. Cooperative activities of this type benefit not only the members but the national economy as well. They conform to cooperative principles and practice and cannot possibly be regarded as harmful to workers or other weaker sections of the community.

8. Shri Bhargava has complained that the Group has not defined the term small scale industry. He has gone on to criticise the definition that the Ministry of Commerce and Industry, which is officially concerned with it, has adopted. The interpolation within brackets by him of words of his own choice in the quotation of the Ministry's Resolution gives a distorted interpretation to a statement of a general type. The recommendation of the first Working Group to enrol workers employed by each member of a service cooperative was not accepted by the Government because membership of a cooperative is normally open to active participants and there is no advantage in insisting on membership of workers who have no interest in the cooperative either as consumers of its services or otherwise. They would only increase the percentage of non-participating members which is regarded as an element of weakness in the management of a society. The Working Group has not recommended that any person who satisfies the definition of small industrialists prescribed for general administration should as of right be enrolled a member of a cooperative society. It is for the particular executive and registering authority to lay down the qualifications for membership of different types of societies and to evolve model bye-laws in consonance with cooperative principles and practice. Moreover, qualifications based on the number of employees debar labour-intensive units. It is desirable to recognise the need of elasticity in this regard rather than depend upon an arithmetical formula prescribed for the country as a whole for all types of activities irrespective of the local varying conditions.

9. As far as formation of and assistance to workers cooperatives are concerned the Group has dealt with them in detail in the report. It did not appear necessary to repeat the importance of these cooperatives again and again. Since, however, this question has been raised, it may be mentioned that the Group had to recognize certain limitations on one hand and reasonable possibilities on the other in assessing the scope for the organisation of workers' cooperatives in the Third and Fourth Plans. It would be valid to point out here that the example of the sugar cooperatives and spinning mills given in Shri Bhargava's note to support the arguments in favour of workers cooperatives is out of place. The sugar cooperatives are formed by middle class farmers and not by landless

labourers or workers in the factories run by the cooperatives. Cooperative spinning mills also have been depending considerably on the relatively well-to-do weavers and sympathisers.

10. To prove that the existence of cooperatives of small industrialists would reduce the chances of workers cooperatives getting similar assistance, an example has been quoted of receipt of a quota of coal for brick-making by office bearers of a cooperative industrial estate though a handmade paper workers' society could not get adequate quota for its operations. It is forgotten here that when there is a shortage of supplies it does happen that some parties are able to prove the urgency of their demand to the detriment of others, and get preferential treatment. This is more likely to happen if small industrialists are to function outside a cooperative organisation. The fact of their being members of the cooperative could permit detection of unreasonable exercise of discretion and the position could be remedied. This example would, therefore, emphasise the need of anything to integrate them in a cooperative organisation.

11. While the distinction between the nature and quantum of Government assistance to be provided to the societies of workers and artisans and that to societies of small industrialists is recognised by the Group, it does not follow that such a distinction should invariably be made *a priori* at each and every step and in the case of each facility provided by the Government. That would be impractical and unworkable. On the other hand it would only be proper to say that the assistance received by the societies of the small industrialists should not be less than what the members could receive in their individual capacity. If anything, their organisation into cooperatives should lead to slightly higher benefits because this is being encouraged as a part of the national economic policy, as has been suggested in the report, with reference to cooperative industrial estates *vis a vis* Government owned industrial estates. The assistance is based on the necessity to decentralise the industries and disperse them in different areas. Government is bearing a higher cost than this in the case of other schemes. Just because the concern has accepted a cooperative constitution it would not be fair to deny to it that assistance. It has to incur expenditure of many types which cooperative societies of other types do not have to.

12. It has been the declared policy of the Government to introduce progressively larger democratic element in all spheres of economic, social and political activity. The introduction of such an element in the economic life of the country is possible only by a progressive cooperative organisation of the economic organisation. A cooperative society entails with it limitations on dividends, a more equitable distribution of profit, Government inspection, audit and supervision, which are important factors in disciplining and guiding the activities of the small industrialists. These advantages are secured through their service cooperative and are not available under the company form of organisation which Shri Bhargava has suggested for the organisation of small industrialists. The move, therefore, to organise cooperatives of small industrialists is a logical step towards the implementation of the national policy.